

CITY OF MIAMI SPRINGS, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2003

Prepared By The
Finance Department

MIAMI SPRINGS CITY OFFICIALS

CITY COUNCIL

Mayor: Billy Bain

Vice Mayor: Peter Pacheco

Councilman: Rob Youngs

Councilman: Eric Elza

Councilman: James Caudle

CITY MANAGER

James Borgmann

ASSISTANT CITY MANAGER

Michael Sprovero

Finance Director

Charles Marshall

CITY OF MIAMI SPRINGS, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2003

I. INTRODUCTORY SECTION

Page

Letter of Transmittal.....	i
GFOA Certificate of Achievement.....	v
Organizational Chart.....	vi
List of Elected and Appointed Officials.....	vii

II. FINANCIAL SECTION

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	17
Reconciliation of the Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Assets – Proprietary Funds.....	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Net Assets – Fiduciary Funds	24
Statement of Changes in Fiduciary Net Assets- Fiduciary Funds	25
Notes to Financial Statements.....	26-50
Required Supplementary Information:	
Budgetary Comparison Schedules:	
General Fund	51
Law Enforcement Special Revenue Fund	52
Note to Budgetary Comparison Schedule	53
Schedule of Funding Progress.....	54
Schedule of Employer Contributions.....	55
Combining Financial Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.....	57
Combining Statement of Net Assets- Fiduciary Funds	58
Combining Statement of Changes in Net Assets- Fiduciary Funds.....	59

CITY OF MIAMI SPRINGS, FLORIDA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2003

III. STATISTICAL SECTION

Fund information:

General Governmental Revenues by Source	60
General Governmental Expenditures by Function	61
Property Tax Rate	62
Property Tax Levies and Collection	63
Assessed Value of Taxable Property.....	64
Computation of Direct and Overlapping Debt	65
Ratio of General Bonded Debt to taxable assessed value and net bonded debt per capita/Percentage of annual debt service expenditures for general bonded debt to total general expenditures.....	66
Computation of Legal Debt Margin	67
Revenue Bond Coverage	68
Property Values, Building Construction and Bank Deposits.....	69
Principal Taxpayers.....	70
Ten Largest Public and Private Employers located in Miami-Dade County, Florida.....	71
Demographic Statistics and Information	72
Miscellaneous Statistics	73

IV. COMPLIANCE SECTION

Independent auditors' report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with	74-75
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133	76-77
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	78-101
Schedule of Expenditures of Federal Awards	102
Note to the Schedule of Expenditures of Federal Awards	103
Federal Awards Findings and Questioned Costs	104-105
Compliance with the Provisions of the Auditor General of the State of Florida	106

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

CITY OF MIAMI SPRINGS



James Borgmann
City Manager

*Office of the City Manager
201 Westward Drive
Miami Springs, FL 33166-5289
Phone: (305) 805-5000*

March 22, 2004

The Honorable Mayor Billy Bain and
Members of the City Council
City of Miami Springs, Florida

Dear Mayor Bain and City Council Members:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the City of Miami Springs, Florida, for the fiscal year ended September 30, 2003, pursuant to Section 218.39 of the Florida Statutes, Chapter 10.550 of the Rules of the Auditor General of the State of Florida, and the City Charter. The financial statements included in this report conform to the generally accepted accounting principles in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The financial statements have been audited by Grau & Company, P. A., Certified Public Accountants. The independent auditor has issued an unqualified opinion that this report fairly represents the financial position of the City and complies with all reporting standards noted above.

The CAFR is divided into three parts. The Introductory Section provides a summary of the contents of the entire report and general information about the reporting entity. The Financial Section includes the Auditor's Opinion, Management's Discussion and Analysis (MD&A), the Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and the Combining and Individual Fund Financial Statements and Schedules. Other financial information includes budgeting and other statements and schedules provided to supplement required financial data. The Statistical Section includes a number of tables that provide historical, social, economic and financial trend data that offers an overview of the City's fiscal situation. The contents of the report have been influenced by compliance with GASB pronouncements, including Statement 34 that has required the preparation of new government-wide financial statements on a full accrual basis of accounting for all funds as well as Management's Discussion and Analysis. The MD&A can be found immediately following the independent auditors' report.

The Reporting Entity and Services

The City of Miami Springs is a political subdivision of the State of Florida located in Miami-Dade County and was incorporated in 1926. The City operates under a Council-Manager form of government where five members, one of whom is the Mayor, are elected at large every two years. The City Council determines the policies that guide the City's operations, hiring a City Manager to implement and administer these policies on a full-time basis.

In accordance with GASB 14 entitled "The Financial Reporting Entity", the City must include in its report any entity over which the City has ultimate financial accountability. For fiscal year 2003, there are no other entities included in this report other than the City itself.

Miami Springs provides a full range of municipal services including police, park and recreation facilities, solid waste collection, water/wastewater, stormwater, senior center, and golf course.

ECONOMIC CONDITION AND OUTLOOK

The City of Miami Springs is located in Southeast Florida, Miami-Dade County, immediately north and bordering the Miami International Airport. The City, primarily residential in nature, comprises approximately 2.8 square miles with approximately 14,000 full-time residents. The southern-most area of the City, located along the 36th Street business corridor, is commercial in nature with hotels, restaurants and office complexes. These facilities primarily service the airport and support industries related to the facility and its employees.

The City recognizes the importance of increasing its commercial tax base for future economic health and to reduce the tax burden on the residents. The City is aggressively pursuing various avenues of economic development and revitalization by hiring various consultants to perform economic feasibility studies for the annexation of areas west and south of the City, as well as a study for the NW 36th Street corridor.

The City also recognizes the effect on the City's fund balances and reserves from continued operating losses in its golf and country club operation. The City, along with assistance from consultants, is developing various operating models that would help reduce losses for next fiscal year and beyond.

The repair phase of the sewer system renovation program is on-going, these repairs will reduce the operating deficit and help fund the renewal and replacement programs of the system in future years. Additionally the savings will help pay for the principal and interest on the bond debt.

The City Council appointed me the new City Manager during the 2003 fiscal year. I have over twenty five years of city management experience in South Florida, this background will be beneficial to the future growth and financial stability of the City.

In addition, the City has hired a new Assistant City Manager with a finance background in the private sector and the corporate world. This experience will assist the City in developing innovative financial policies as well as long-term strategies to improve financial operations and provide citizens with increased services at reduced costs. The City has also hired a new Finance Director who is a certified public accountant (CPA) and has significant experience in governmental accounting and operations. This individual has been the City's lead auditor for the past two years and has a full understanding of the City's problems and what is required to correct those problems. The new Finance Director will help establish internal controls, improve the integrity of the City's financial reports, and provide forward looking as well as historic reporting. This will enable management to make timely decisions based on current and accurate financial information.

FINANCIAL INFORMATION

City Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and local financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management.

In addition, the City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount)

is the departmental level within each fund. The City also maintains an encumbrance accounting system.

The City's *accounting system* is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds used are generally determined by City Council upon the recommendation of the City Manager with the Finance Director establishing accepted accounting policies and procedures as well as the number of funds maintained.

CASH MANAGEMENT

The City of Miami Springs is fully charged with the security of the City's funds and assets with the goal of maximizing return on surplus or idle cash. Cash management policies are clearly identified in the adopted budget documents along with regulations defined by the State of Florida Statutes. The City's primary investment instruments are overnight repurchase agreements, certificates of deposits, and state board of administration (SBA) funds. The principal focus of cash management is to ensure the safety of the City's cash while maximizing our return on each investment. No investment is made for any commitment period exceeding six months.

DEBT ADMINISTRATION

The City's outstanding long-term debt obligations consists of two tax-exempt bond instruments: the General Obligation Bond, series 1997, and the Revenue Refunding and Improvement Bonds, series 1998 (refunding the previously recorded utility Revenue Bond, series 1994). The face value of each bond on September 30, 2003 was \$4,160,000 and \$9,825,000 for the General Obligation Revenue Refunding and Improvement Bonds, respectively.

On October 1, 2002, the City signed a non-interest bearing promissory note (the "Note") with the Florida Department of Transportation (the "FDOT") in the amount of \$1,239,390 for the cost of relocating water and sewer utility lines located in the FDOT's right of way related to the "Lejeune Flyover Project". Under the terms of the note, the City is required to make 180 monthly payments of \$6,885 beginning on October 2002. However, if the total project costs upon completion are lower or greater than the original amount of the note, a new promissory note would be executed for the final project costs less payments made by the City as of the date of project completion. As of September 30, 2003, the FDOT had paid project costs of approximately \$744,000, the FDOT has advised the City that the total project costs will be less than \$800,000.

During fiscal year 2003, Miami Dade County (the "County") completed a canal dredging project which was to be paid by various municipalities based on a local match responsibility allocation. The City's responsibility was estimated to be no more than \$250,000 and negotiations are on-going with Miami-Dade County as to the final amount of the project cost assigned to the City as well as the repayment terms.

RISK MANAGEMENT

The City purchases general liability, automobile, and property and casualty insurance coverages through the Florida League of Cities program. The City is self insured for its workers' compensation coverage through the Miami-Dade County Risk Management program.

INDEPENDENT AUDIT

In accordance with Florida Statutes Section 218.39, the City has engaged the firm of Grau & Company, P.A., to perform the independent audit of the City's financial statements. The Independent Certified Public Accountant's report is included in the financial section of this Comprehensive Annual Financial Report.

AWARDS

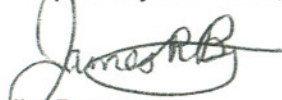
This year, the City has applied for the Certificate of Achievement for Excellence in Financial Reporting awarded by the Governmental Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and the City's audit firm, Grau & Company, P.A. We express our appreciation to them for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. We would also like to thank the various operating departments for their timely contributions in the writing of this report.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Jim Borgmann", with a stylized flourish extending from the end.

Jim Borgmann
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Miami Springs,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

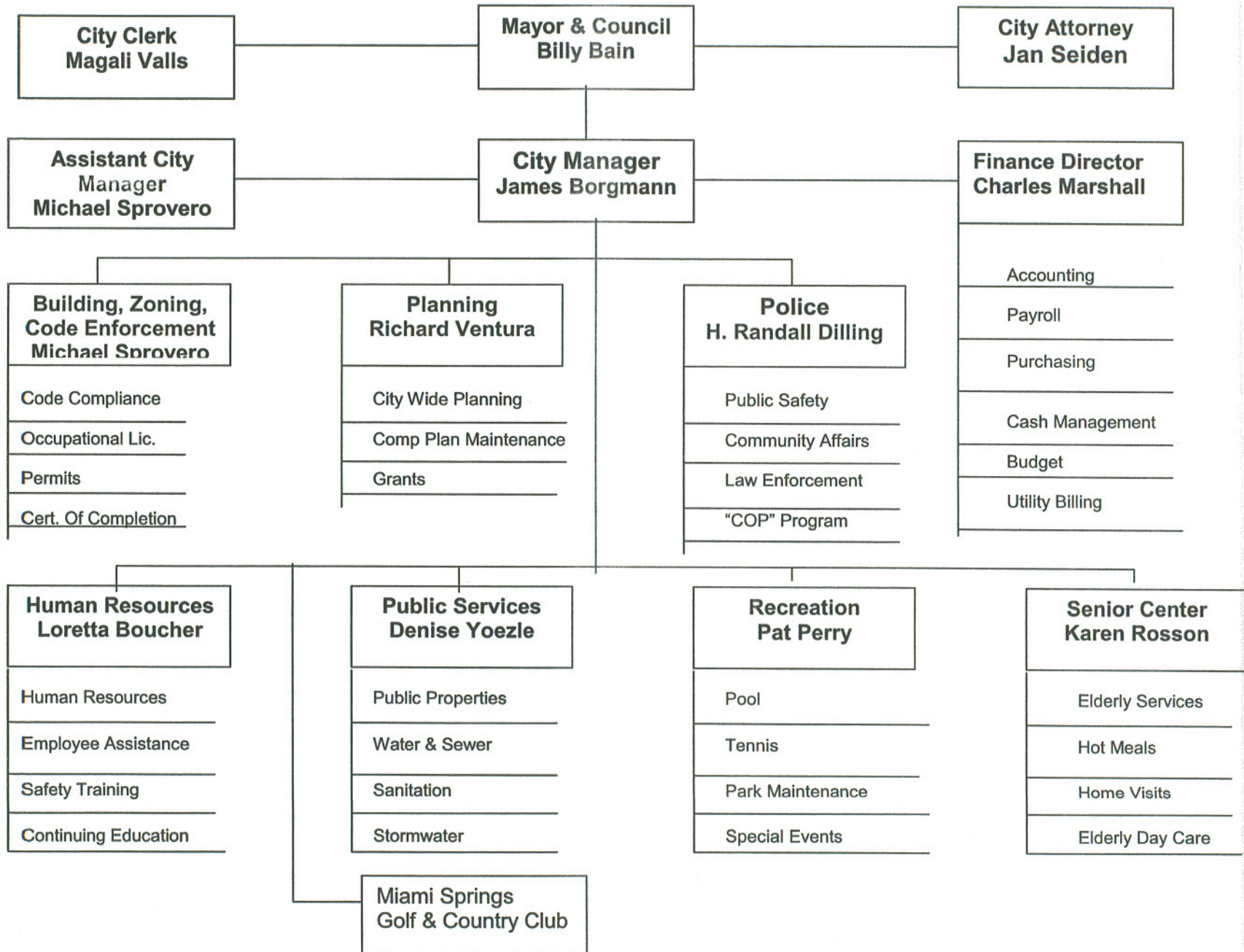
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF MIAMI SPRINGS ORGANIZATIONAL CHART



City of Miami Springs, Florida
Council-Manager Form of Government

SEPTEMBER 30, 2003

CITY COUNCIL

Mayor
Vice-Mayor
Council Member
Council Member
Council Member

Billy Bain
Peter Pacheco
Rob Youngs
James Caudle
Eric Elza

ADMINISTRATION

City Manager
Assistant City Manager
Finance Director
City Attorney
City Clerk
City Planner
Police Chief
Human Resources
Chief Building Official
Public Works Director
Social Service Director
Recreation Director

Jim Borgmann
Michael Sprovero
Charles Marshall
Jan Seiden, Esq.
Magali Valls
Richard Ventura
H. Randall Dilling
Loretta Boucher
Michael Sprovero
Denise Yoezle
Karen Rosson
Pat Perry

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miami Springs, Florida (the City) as of and for the fiscal year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Pension Trust Funds, which represent 100% of the assets, revenues and deductions of the fiduciary fund totals. Those financial statements were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Funds are based solely on the reports of the other independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the City adopted provisions of the Governmental Accounting Standards Board Statement (GASB) No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; GASB No. 37, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus; GASB No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements; as of October 1, 2002. This resulted in a change in the format and content of the basic financial statements.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miami Springs, Florida as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2004 on our consideration of the City's internal control over financial reporting and our tests of compliance with certain laws, regulations, grants and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14 and the Required Supplementary Information on pages 51 through 55, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Miami Springs's basic financial statements taken as a whole. The accompanying information identified in the table of contents as combining financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The information included in the introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Grau & Company

March 19, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Miami Springs has included this new section in the Comprehensive Annual Financial Report (CAFR) in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34. It is intended to provide readers of this report with a general overview of the financial activities of the City during fiscal year 2003. The information in this section should be considered in conjunction with additional information that is furnished in the letter of transmittal, the City's financial statements and the other required supplemental information.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, (d) identify any material deviations from the financial plan, and (e) identify individual fund issues or concerns. The information contained within this section should be considered only a part of a greater whole.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal year ending September 30, 2003:

- The assets of the City of Miami Springs exceeded its liabilities at the close of the most recent fiscal year by \$17.1 million (net assets). Of this amount, \$840,705 (unrestricted net assets) may be used to meet the ongoing obligations to citizens and creditors.
- The City's \$11.3 million in revenues for governmental activities exceeded the \$10.1 million in expenses, providing a \$1.2 million increase in net assets before transfers.
- The business-type activities for the City recognized \$8.5 million in revenue against \$9.2 million in expenses that resulted in a \$732,000 decrease in net assets before transfers.
- The General Fund's revenues exceeded expenditures by \$879,000 before transfers. with \$2.3 million in transfers out and other financing uses, the net change in fund balance was \$1.4 million.
- At the end of the current year *unreserved* fund balance for the General Fund was \$574,098, or 6% of total general fund operating revenues.
- During the year the City entered into the following debt agreements: a capital lease for \$272,000 for the purchase of computer equipment, a promissory note for approximately \$1.24 million for the estimated costs of the Lejeune Flyover Project (Final amount of the note will be adjusted once the project is complete and actual costs are known). In addition, the City recorded a liability of approximately \$250,000 for the canal dredging project completed by Miami-Dade County. Negotiations are on-going as to the final agreed upon cost to the City as well as repayment plans.

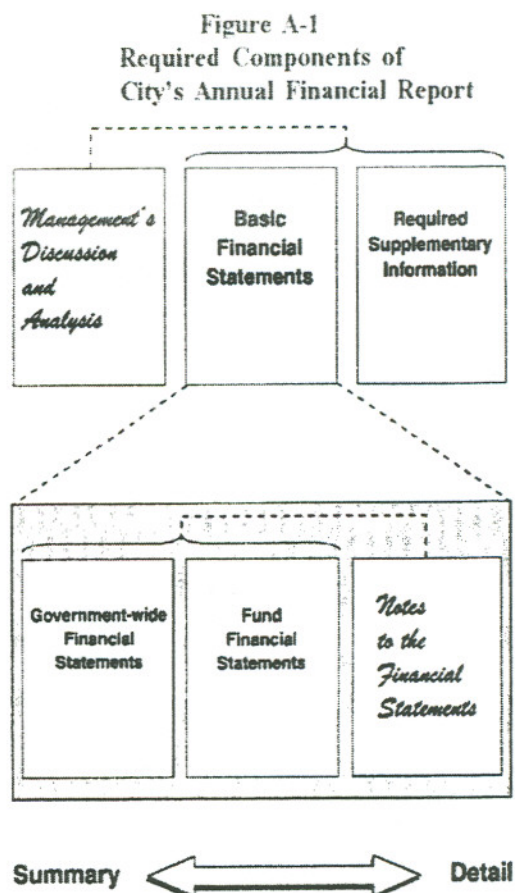
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an additional section that presents *combining statements* for nonmajor governmental funds and capital assets used in the operations of governmental activities. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
- *Governmental funds* statements tell how general government services, such as parks and recreation, were financed in the short term as well as what remains for future spending.
- *Proprietary funds* statements offer short-term and long-term financial information about the activities the government operates like businesses, such as utilities (water and sewer), solid waste, stormwater, and golf course operations.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* which further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and are related to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which is added together and presented in single columns in the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The government activities of the City of Miami Springs include public works, parks and recreation, police, and general administration services. The business-type activities of City include the water and sewer systems, the solid waste system, the stormwater and golf course operations.

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Miami Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The City of Miami Springs maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Law Enforcement Trust Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison statements have been provided for the General Fund and the Law Enforcement Trust Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17 to 20 of this report.

Proprietary funds. The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, solid waste, stormwater and golf course operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water and sewer, solid waste, stormwater and golf course operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 21 to 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 50 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 51 to 55 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on beginning on page 56 of this report.

Our analysis of the financial statements of the City begins below. The statement of Net Assets and the Statement of Activities report information about the City's activities that will help answer questions about the position of the City. As this is the first year that the City is presenting government-wide statements, no comparison to the prior year is being shown. A comparative analysis will be provided when prior year information is available.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets:

As noted earlier, net assets may serve as a useful indicator over time of a government's financial position. The table below summarizes Miami Springs's net assets for fiscal year 2003.

City of Miami Springs, Florida
Net Assets
(Thousands of \$)

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 5,644	\$ 1,671	\$ 7,315
Capital assets	10,191	18,389	28,580
Total assets	<u>15,835</u>	<u>20,060</u>	<u>35,895</u>
Long-term liabilities	4,819	10,796	15,615
Other liabilities	1,558	1,626	3,184
Total liabilities	<u>6,377</u>	<u>12,423</u>	<u>18,799</u>
Net Assets:			
Invested in capital assets, Net of related debt	5,759	7,740	13,499
Restricted	2,755	-	2,755
Unrestricted	944	(103)	841
Total net assets	<u>\$ 9,458</u>	<u>\$ 7,637</u>	<u>\$ 17,095</u>

The City's combined net assets were \$17.1 million for fiscal year 2003, \$9.5 million for governmental activities and \$7.6 million for business-type activities. Most of these net assets are restricted as to use. For governmental activities 90% of the net assets are restricted while business-type activities net assets are 100% restricted.

Investment in capital assets (such as land, buildings and equipment) is a significant portion of the restricted assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For governmental activities, a portion of the net assets, \$2.75 million, or 29.1%, represents resources that are subject to external restrictions on how they may be used. Business-type activities do not have any externally restricted assets. The remaining balance of *unrestricted net assets*, \$841,000, may be used to meet government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The City's business-type activities reported positive total net assets; however unrestricted net assets reported a deficit of approximately \$103,000.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

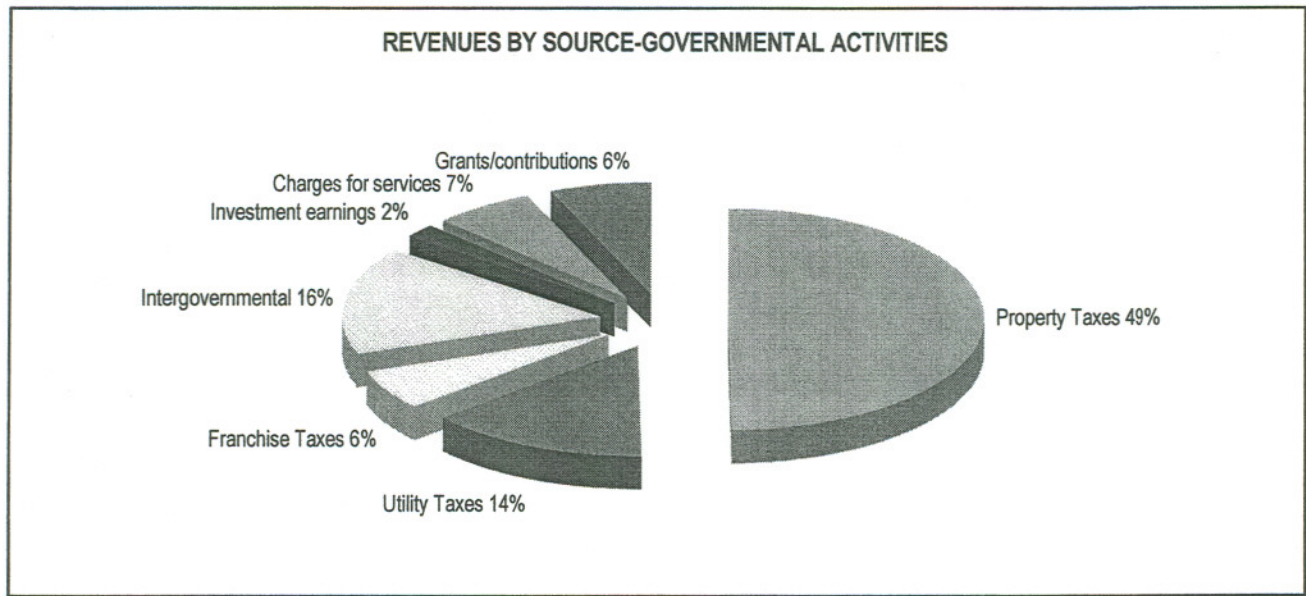
Statement of Activities:

As noted earlier, the *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. The following table reflects the City's revenues and expenses for fiscal year 2003 with the resulting change in net assets:

City of Miami Springs, Florida Changes in Net Assets (Thousands of \$)

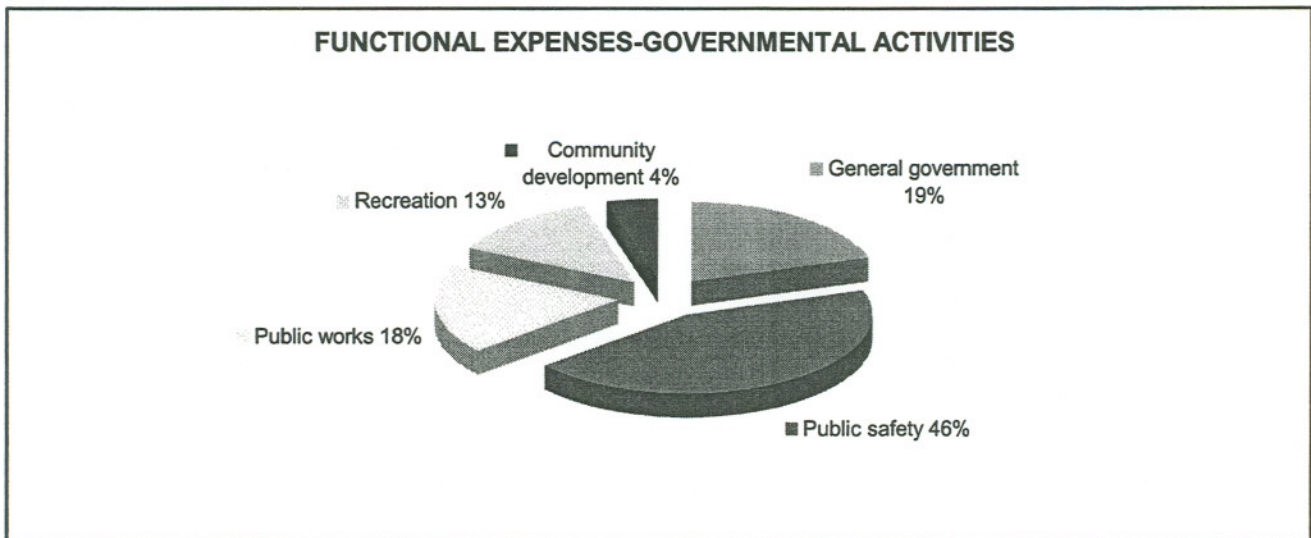
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 749	\$ 8,382	\$ 9,131
Operating grants/contributions	714	-	714
General revenues:			
Property taxes	5,619	-	6,251
Franchise fees	657	-	657
Utility taxes	1,603	-	1,603
Investment earnings	216	69	285
Intergovernmental	<u>1,774</u>	<u>-</u>	<u>1,142</u>
Total revenues	<u>11,332</u>	<u>8,451</u>	<u>19,783</u>
Expenses:			
General government	1,978	-	1,978
Public safety	4,384	-	4,384
Public works	1,821	9,183	11,004
Community development	448	-	448
Parks and recreation	1,307	-	1,307
Interest on long-term debt	<u>213</u>	<u>-</u>	<u>213</u>
Total expenses	<u>10,151</u>	<u>9,183</u>	<u>19,334</u>
Increase (decrease) in net assets before transfers	1,181	(732)	449
Transfers	<u>(3,004)</u>	<u>2,709</u>	<u>(295)</u>
Increase (decrease) in net assets	<u>(1,823)</u>	<u>1,977</u>	<u>154</u>
Net assets beginning of year	<u>11,281</u>	<u>5,660</u>	<u>16,941</u>
Net assets end of year	<u>\$ 9,458</u>	<u>\$ 7,637</u>	<u>\$ 17,095</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)



As shown above, there are three primary contributors to governmental revenue to the City, property taxes, utility taxes and intergovernmental revenues. At \$5.6 million, property taxes represent 49% of revenues while intergovernmental revenues at \$1.8 million comprise 16% of revenues and utility taxes at \$1.6 million, comprises 14% of revenue

Except for minor investment earnings, revenue earned by business-type activities is concentrated in one source, charges for services, \$8.4 million. This figure represents the fees charged for each of the City's enterprise funds, \$1.2 million for water, \$3.7 million for sewer, \$1.5 million for sanitation, \$281,000 for stormwater and \$1.7 million for the golf course.



GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

As shown above, governmental expenses are largely weighted in one function, public safety, which comprises police services. At \$4.4 million, public safety costs represent 46% of total governmental expenses, excluding interest expense.

For business-type expenses, the \$9.2 million total represents \$1.3 million for water, \$3.6 million for sewer, \$1.7 million for sanitation, \$233,000 for stormwater and \$2.3 million for the golf course.

As the City controlled costs substantially during the year, along with revenue coming in higher than projected, the City was able to increase its net assets by \$1.2 million for the governmental activities (before transfers), after transfers there was a decrease in net assets of \$1.8 million for the governmental activities. There was a decrease in net assets of \$732,000 for business-type activities (before transfers), after transfers there was an increase of \$2 million for business type activities. There were \$2.7 million in transfers from the general fund to the various enterprise funds in order to write-off interfund balances deemed uncollectible. Business type activities reported decreases in net assets before transfers due to operating losses in the sanitation and golf course operations. Further analysis is provided in the government fund financial analysis section below.

The table below presents the cost of each of the City's governmental services. Net cost is the total cost of each service less the program revenue generated, fees by each activity and intergovernmental aid. The net cost shows the financial cost that is placed on the City's taxpayers by each of these services:

City of Miami Springs, Florida Net Cost of Services (Thousands of \$)

<u>Function/program</u>	<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Net Cost of Services</u>
Public safety	\$ 4,384	\$ (465)	\$ 3,918
Recreation/social services	1,307	(372)	936
Public works	1,821	-	1,821
General government	1,978	(417)	1,561
Community development	448	(209)	239
Interest on long-term debt	213	-	213
Total	<u>\$ 10,151</u>	<u>\$ (1,463)</u>	<u>\$ 8,688</u>

- The cost of all *governmental* activities this year, including the \$213 thousand in interest expense on long-term debt, was \$10.2 million. Some of that cost was financed by:
 - Those who directly benefited from the programs through charges for services (\$749,000), or
 - Other governments and organizations that subsidized certain programs from grants and contributions (\$714,000).

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

- The City financed the remaining \$8.7 million “public benefit” portion of governmental activities with \$5.6 million in property taxes, \$1.8 million in intergovernmental revenues and \$1.6 million in utility taxes

GOVERNMENT FUNDS’ FINANCIAL ANALYSIS

As the City completed the year its governmental funds reported combined fund balances of \$4 million, with the general fund representing \$854,000. Of the \$854,000, \$280,000 is reserved, leaving \$574,000 in unreserved undesignated fund balance.

Included in this year’s total change in fund balances for the general fund is an \$879,000 excess of revenues over expenditures. The primary reasons for the general fund’s excess were a strong control on expenditures together with revenue coming in approximately \$550,000 higher than budget. Expenditures at \$8.7 million were well below the final approved budget of \$9.6 million. Please refer to the General Fund Budget Highlights section below for further information.

The City’s proprietary funds are presented in more detail in the fund statements but represent the same activities reflected in the business-type activities noted above. For fiscal year 2003, a combined \$7.6 million net asset balance was reported, of which \$7.7 million is restricted, causing a deficit unrestricted net asset balance of \$100,000. The City’s five enterprise funds, Water, Sewer, Sanitation, Stormwater and Golf Course, each have significant investments in capital assets - assets required to run the daily operations. The Sewer and Stormwater funds contain the bulk of the unrestricted assets at \$556,000. The Water and Sanitation funds reflect a deficit unrestricted net asset balance of \$511,000 and \$171,000 , respectively.

Net assets for the proprietary funds increased a combined \$2.0 million due primarily to the forgiveness of approximately \$2.1 million in debt to the general fund for accumulated transfers in as of fiscal year ending September 30, 2003. Of the five enterprise funds, two reported operating losses before transfers for fiscal year 2003. The sanitation and golf course reported operating losses before transfers of \$87,000 and \$656,000, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended the General Fund budget once. The budget was amended during the fiscal year to account for rollovers related to encumbrances as well as additional revenues received from local option gas taxes. Comparing the original budget to the final budget, the fiscal year 2003 amended final budget of \$9.6 million increased by 2.3% over the original \$9.4 million budget. During the year the City amended its budget increasing it by \$220,000 for encumbrances rolled forward from FY2002 to FY2003, in addition there was an amendment increasing the budgeted revenues by \$55,000 for additional local option gas taxes.

The difference between the estimated revenues and the actual revenues in the General Fund was \$81,000 for fiscal year 2003. Actual revenues, at \$9.6 million came in higher than the final budget of \$9.5 million.

GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)

Expenditures at \$8.7 million were well below the final approved budget of \$9.6 million. At year-end the City was able to recognize significant costs savings, resulting in a positive variance of \$933,000 of actual expenditures against the final budget. A significant portion of these savings were due to non-departmental expenses which were originally budgeted for \$754,000 in operating costs, however actual costs for FY 2003 were \$350,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets:

The City of Miami Springs's investment in capital assets for its governmental and business-type activities as of September 30, 2003 is detailed below:

	City of Miami Springs Capital Assets (Net of depreciation) (In thousands of \$)		
	Governmental Activities	Business-type Activities	Total
Land	\$ 1,776	\$ 1,300	\$ 3,076
Construction in progress	104	1,244	1,348
Buildings	1,252	2,353	3,605
Improvements other than buildings	319	272	591
Machinery and equipment	1,437	1,493	2,930
Infrastructure	5,303	11,727	17,030
Total	<u>\$ 10,191</u>	<u>\$ 18,389</u>	<u>\$ 28,580</u>

The City is currently undergoing a major program that began during fiscal year 2002 and involves the relocation of utility lines for the Lejeune Flyover Project. This project was financed through a promissory note executed with the Florida Department of Transportation. The note is for the total project cost, as of September 30, 2003, the project was approximately 95% complete and costs as of that date were approximately \$745,000. During FY2003, the City also completed a canal dredging project for its sewer infrastructure; project costs were paid by Miami Dade County. The City's share of the project cost was estimated at approximately \$250,000, negotiations are on-going as to the final cost to the City as well as the repayment plans. In addition, the City has on-going sewer infrastructure improvements which are financed with charges and fees from its sewer enterprise fund as well as contributions from the general fund. Additional information on the City's capital assets can be found in Note 6 on pages 39 and 40 of this report.

Debt Administration:

At year-end the City had \$15.16 million in outstanding debt, as noted below:

City of Miami Springs Outstanding Debt (In thousands of \$)			
	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 4,160	\$ -	\$ 4,160
Revenue bonds	-	9,459	9,459
Notes payable	-	910	910
Capital lease payable	272	362	634
Total	<u>\$ 4,432</u>	<u>\$ 10,731</u>	<u>\$ 15,163</u>

New debt resulted mainly from the following: a \$272,000 capital lease agreement for the leasing of computer equipment and software, a \$745,000 promissory note for the Lejeune Flyover Project and a \$250,000 loan for a canal dredging project. More detailed information about the City's long-term liabilities is presented in Note 7, beginning on page 41 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATIOS

The State of Florida, by constitution, does not have a state personal income tax and therefore, the State operates primarily using sales, gasoline and corporate income taxes. Local governments (cities, counties and school boards) primarily rely on property and a limited array of permitted other taxes (sales, telecommunication, gasoline, utilities services, etc.) and fees (franchise, building permits, occupational license, etc.) for their governmental activities. There are a limited number of state-shared revenues and recurring and non-recurring (one-time) grants from both the state and federal governments. For the business-type and certain governmental activities (building inspections, recreational programs, etc.) the user pays a related fee or charge associated with the service.

The adopted budget for the General Fund for fiscal year 2004 at \$10.3 million represents a 5.7% increase over fiscal year 2003. Revenue increases are primarily expected from property taxes (benefiting from the increases in assessed valuations) and excise taxes. For the expenditure budget, the most significant increases are as follows: \$115,000 in the Finance department due to GASB 34 implementation costs and the installation of new computer software, \$220,000 for salary increases in the police department, and \$68,000 in building maintenance related to updating the air conditioning system at City Hall and the replacement of the cart barn at the golf and country club..

The operating millage rate for calendar year 2003—collected in fiscal year 2004 is 8.1436 per thousand dollars of taxable value, and this marks a slight decrease from the 8.15 millage rate for calendar year 2002.

REQUESTS FOR INFORMATION

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. The financial statements are available on the City's website at www.miamisprings-fl.gov. If you have questions about the report or need additional financial information, contact William Alonso, CPA, Finance Director, City of Miami Springs, 201 Westward Drive, Miami Springs, Florida 33166.

BASIC FINANCIAL STATEMENTS

CITY OF MIAMI SPRINGS, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Cash and equity in pooled cash and investments	\$ 4,335,407	\$ 549,677	\$ 4,885,084
Investments	-	394,028	394,028
Accounts receivable - net	598,345	552,383	1,150,728
Due from other governments	12,573	-	12,573
Internal balances	271,959	(271,959)	-
Inventories	74,693	74,826	149,519
Net pension asset	133,948	-	133,948
Other assets	45,174	1,500	46,674
Deferred charges	67,134	-	67,134
Restricted assets:			
Cash and equity in pooled cash and investments	104,690	370,270	474,960
Capital assets			
Land	1,776,080	1,300,000	3,076,080
Construction in progress	103,546	1,244,309	1,347,855
Building	2,465,008	2,944,850	5,409,858
Equipment	3,133,777	2,169,570	5,303,347
Improvements other than building	1,232,240	945,537	2,177,777
Infrastructure	14,594,057	22,723,878	37,317,935
Total capital assets	23,304,708	31,328,144	54,632,852
Less accumulated depreciation	(13,113,745)	(12,939,256)	(26,053,001)
Total capital assets - net	10,190,963	18,388,888	28,579,851
Total assets	<u>\$ 15,834,886</u>	<u>\$ 20,059,613</u>	<u>\$ 35,894,499</u>

LIABILITIES

Accounts payable	\$ 744,017	\$ 1,046,974	\$ 1,790,991
Accrued payroll	238,786	84,771	323,557
Accrued compensated absences	499,312	83,586	582,898
Customer deposits	19,557	370,270	389,827
Deferred revenue	56,485	39,451	95,936
Noncurrent liabilities:			
The amount due in one year	277,857	600,673	878,530
The amount due more than one year	4,541,161	10,196,962	14,738,123
Total liabilities	<u>6,377,175</u>	<u>12,422,687</u>	<u>18,799,862</u>

NET ASSETS

Invested in capital assets, net of related debt	5,758,963	7,740,384	13,499,347
Restricted for:			
Law enforcement	1,602,110	-	1,602,110
Debt service	104,690	-	104,690
Special revenue	913,837	-	913,837
Net pension asset	133,948	-	133,948
Unrestricted (deficit)	944,163	(103,458)	840,705
Total net assets	<u>\$ 9,457,711</u>	<u>\$ 7,636,926</u>	<u>\$ 17,094,637</u>

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities
Functions/programs						
Governmental activities:						
General government	\$ 1,978,127	\$ 416,945	\$ -	\$ -	\$ (1,561,182)	\$ -
Public safety	4,383,608	161,600	303,856		(3,918,152)	-
Public works	1,820,796				(1,820,796)	-
Recreation and social services	1,307,295	170,570	200,940		(935,785)	-
Economic and community development	448,085		209,151		(238,934)	-
Interest on long-term debt	213,463	-	-	-	(213,463)	-
Total governmental activities	10,151,374	749,115	713,947	-	(8,688,312)	-
Business-type activities:						
Water	1,300,377	1,231,914	-	-	-	(68,463)
Sewer	3,565,979	3,653,630	-	-	-	87,651
Sanitation	1,738,210	1,526,556	-	-	-	(211,654)
Stormwater	233,223	280,633	-	-	-	47,410
Golf Course	2,345,375	1,689,062	-	-	-	(656,313)
Total business activities	9,183,164	8,381,795	-	-	-	(801,369)
Total	\$ 19,334,538	\$ 9,130,910	\$ 713,947	\$ -	\$ (8,688,312)	\$ (801,369)
General revenues:						
Property taxes, levied for general purpose					\$ 5,283,941	\$ -
Property taxes, levied for debt service					335,692	-
Utility taxes					1,603,090	-
Franchise taxes					657,367	-
Intergovernmental					1,773,722	-
Investment income					57,447	6,732
Miscellaneous					158,258	62,949
Transfers					(3,004,078)	2,708,502
Total general revenues and transfers					6,865,439	2,778,183
Change in net assets					(1,822,873)	1,976,814
Net assets, October 1, as restated					11,280,584	5,660,112
Net assets, September 30					\$ 9,457,711	\$ 7,636,926

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2003

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Law</u> <u>Enforcement</u>	<u>Governmental</u> <u>Funds</u>	<u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>				
Cash and equity in pooled cash and investments	\$ 1,311,594	\$ 1,759,869	\$ 1,263,944	\$ 4,335,407
Accounts receivable - net	477,778	1,407	119,160	598,345
Inventories	74,693	-	-	74,693
Due from other governments	12,573	-	-	12,573
Due from other funds	311,444	-	-	311,444
Restricted assets:				
Cash and equity in pooled cash and investments	-	-	104,690	104,690
Deferred charges	44,989	-	185	45,174
Other assets	66,134	1,000	-	67,134
Total assets	<u>\$ 2,299,205</u>	<u>\$ 1,762,276</u>	<u>\$ 1,487,979</u>	<u>\$ 5,549,460</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Accounts payable	\$ 649,514	\$ 10,898	\$ 83,605	\$ 744,017
Accrued payroll	234,580	-	4,206	238,786
Accrued compensated absences	489,714	-	9,598	499,312
Due to other funds	-	32,344	7,141	39,485
Escrow deposits	15,785	3,772	-	19,557
Deferred revenues	55,969	-	516	56,485
Total liabilities	<u>1,445,562</u>	<u>47,014</u>	<u>105,066</u>	<u>1,597,642</u>
<u>FUND BALANCES</u>				
Reserved for:				
Encumbrances	159,863	113,152	364,386	637,401
Inventories	74,693	-	-	74,693
Deferred charges	44,989	-	-	44,989
Law enforcement	-	1,602,110	-	1,602,110
Special revenue fund	-	-	913,837	913,837
Debt service fund	-	-	104,690	104,690
Unreserved reported in:				
General fund, undesignated	574,098	-	-	574,098
Total fund balances	<u>853,643</u>	<u>1,715,262</u>	<u>1,382,913</u>	<u>3,951,818</u>
Total liabilities and fund balances	<u>\$ 2,299,205</u>	<u>\$ 1,762,276</u>	<u>\$ 1,487,979</u>	<u>\$ 5,549,460</u>

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2003

Fund balances - total government funds (Page 17) \$ 3,951,818

Amounts reported for governmental activities in the statement
of net assets are different as a result of:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds.

Governmental capital assets	23,304,708
Less accumulated depreciation	(13,113,745)

Net pension asset	133,948
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Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported in
the governmental funds.

Governmental bonds payable	\$	(4,160,000)
Capital leases		(272,000)
Compensated absences		(387,018) <u>(4,819,018)</u>

Net assets of governmental activities (Page 15) \$ 9,457,711

CITY OF MIAMI SPRINGS, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED SEPTEMBER 30, 2003

	General	Law Enforcement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes and franchise fees	\$ 5,941,308	\$ -	\$ 335,692	\$ 6,277,000
Charges for services	276,164	-	-	276,164
Public service taxes	1,603,090			1,603,090
Intergovernmental	1,142,268	78,994	1,041,545	2,262,807
Licenses and permits	359,674	-	-	359,674
Fines and forfeitures	103,764	224,862	9,513	338,139
Interest	23,893	32,190	1,364	57,447
Miscellaneous	140,865	1,058	16,335	158,258
Total revenues	<u>9,591,026</u>	<u>337,104</u>	<u>1,404,449</u>	<u>11,332,579</u>
Expenditures:				
Current:				
General government	1,787,376	-	164,952	1,952,328
Public safety	4,055,225	181,867	-	4,237,092
Public works	1,757,668	-	-	1,757,668
Recreation and social services	896,420	-	315,886	1,212,306
Economic and community development	-	-	442,157	442,157
Debt service:				
Principal retirement	-	-	185,000	185,000
Interest and fiscal charges	-	-	213,463	213,463
Capital outlay:				
General government	127,974		24,809	152,783
Public safety	87,401	76,969	-	164,370
Recreation and social services	-	-	30,900	30,900
Total expenditures	<u>8,712,064</u>	<u>258,836</u>	<u>1,377,167</u>	<u>10,348,067</u>
Excess of revenues over expenditures	<u>878,962</u>	<u>78,268</u>	<u>27,282</u>	<u>984,512</u>
Other financing (uses) sources:				
Proceeds from capital lease	272,000	-	-	272,000
Transfers in	587,085	-	130,000	717,085
Operating transfers out-charges against interfund receivables	(2,708,502)			(2,708,502)
Transfers out	(425,576)	-	(162,082)	(587,658)
Total other financing uses	<u>(2,274,993)</u>	<u>-</u>	<u>(32,082)</u>	<u>(2,307,075)</u>
Net change in fund balances	<u>(1,396,031)</u>	<u>78,268</u>	<u>(4,800)</u>	<u>(1,322,563)</u>
Fund balances - beginning	2,076,218	1,636,994	1,351,533	5,064,745
Prior period adjustments	173,456	-	36,180	209,636
Fund balances - beginning, as restated	<u>2,249,674</u>	<u>1,636,994</u>	<u>1,387,713</u>	<u>5,274,381</u>
Fund balances - ending	<u>\$ 853,643</u>	<u>\$ 1,715,262</u>	<u>\$ 1,382,913</u>	<u>\$ 3,951,818</u>

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2003

Amounts reported for governmental activities in the statement
of activities (Page 18) are different as a result of:

Net change in fund balances - total government funds (Page 19)	\$ (1,322,563)
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Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those assets
is depreciated over their estimated useful lives.

Expenditures for capital outlays	\$ 348,053	
Less current year depreciation	(761,363)	(413,310)

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments	185,000
--------------------	---------

Capital leases provide current financial resources to governmental funds. However, they are
recorded as a liability in the statement of net assets.

(272,000)

Change in net assets of governmental activities (Page 16)	<u>\$ (1,822,873)</u>
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CITY OF MIAMI SPRINGS, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2003

<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Golf Course</u>	<u>Total</u>
Current assets:						
Cash and equity in pooled cash and investments	-	\$ 595,670	\$ 11,438	\$ 290,890	\$ 45,707	\$ 943,705
Accounts receivable - net	\$ 106,494	298,948	105,552	28,667	12,722	552,383
Inventories	-	-	-	-	74,826	74,826
Prepaid expenses	-	-	-	-	1,500	1,500
Total current assets	<u>106,494</u>	<u>894,618</u>	<u>116,990</u>	<u>319,557</u>	<u>134,755</u>	<u>1,572,414</u>
Non-current assets:						
Restricted assets:						
Cash and equity in pooled cash and investments	359,997	2,370			7,903	370,270
Capital assets:						
Land	-	-	-	-	1,300,000	1,300,000
Construction in progress - infrastructure	441,155	803,154	-	-	-	1,244,309
Building	-	-	-	-	2,944,850	2,944,850
Equipment	105,262	234,821	1,176,496	183,601	469,390	2,169,570
Improvements other than building	-	-	-	-	945,537	945,537
Infrastructure	<u>1,170,380</u>	<u>18,823,788</u>	<u>-</u>	<u>2,729,710</u>	<u>-</u>	<u>22,723,878</u>
Total capital assets	1,716,797	19,861,763	1,176,496	2,913,311	5,659,777	31,328,144
Less accumulated depreciation	<u>(1,033,555)</u>	<u>(9,401,961)</u>	<u>(614,223)</u>	<u>(939,805)</u>	<u>(949,712)</u>	<u>(12,939,256)</u>
Total capital assets - net	<u>683,242</u>	<u>10,459,802</u>	<u>562,273</u>	<u>1,973,506</u>	<u>4,710,065</u>	<u>18,388,888</u>
Total noncurrent assets	<u>1,043,239</u>	<u>10,462,172</u>	<u>562,273</u>	<u>1,973,506</u>	<u>4,717,968</u>	<u>18,759,158</u>
Total assets	<u>1,149,733</u>	<u>11,356,790</u>	<u>679,263</u>	<u>2,293,063</u>	<u>4,852,723</u>	<u>20,331,572</u>
<u>LIABILITIES</u>						
Current liabilities:						
Accounts payable	378,802	522,300	75,175	1,436	69,261	1,046,974
Accrued liabilities	8,063	10,255	20,458	2,515	43,480	84,771
Due to other funds	172,268	-	86,903	12,788	-	271,959
Current portion of bonds payable	-	360,000	-	-	-	360,000
Current portion of notes payable	41,310	41,310		25,000		107,620
Deferred revenues	-	39,451				39,451
Customer deposits	359,997	2,370	-	-	7,903	370,270
Capital lease	-	-	74,691	-	58,362	133,053
Compensated absences	<u>12,436</u>	<u>20,458</u>	<u>46,308</u>	<u>4,384</u>	<u>-</u>	<u>83,586</u>
Total current liabilities	<u>972,876</u>	<u>996,144</u>	<u>303,535</u>	<u>46,123</u>	<u>179,006</u>	<u>2,497,684</u>
Non-current liabilities:						
Bonds payable	-	9,099,161	-	-	-	9,099,161
Notes payable	288,872	288,872		225,000		802,744
Compensated absences	4,454	-	59,077	2,980	-	66,511
Capital lease	-	-	171,585	-	56,961	228,546
Total noncurrent liabilities	<u>293,326</u>	<u>9,388,033</u>	<u>230,662</u>	<u>227,980</u>	<u>56,961</u>	<u>10,196,962</u>
Total liabilities	<u>1,266,202</u>	<u>10,384,177</u>	<u>534,197</u>	<u>274,103</u>	<u>235,967</u>	<u>12,694,646</u>
<u>NET ASSETS</u>						
Invested in capital assets, net of related debt	394,370	711,769	315,997	1,723,506	4,594,742	7,740,384
Unrestricted(deficit)	<u>(510,839)</u>	<u>260,844</u>	<u>(170,931)</u>	<u>295,454</u>	<u>22,014</u>	<u>(103,458)</u>
Total net assets	<u>(116,469)</u>	<u>\$ 972,613</u>	<u>\$ 145,066</u>	<u>\$ 2,018,960</u>	<u>\$ 4,616,756</u>	<u>\$ 7,636,926</u>

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES
YEAR ENDED SEPTEMBER 30, 2003

	Business-type Activities - Enterprise Funds					1998 Utility Refunding Bond	Total
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Golf Course</u>		
Operating revenues:							
Charges for services	\$ 1,231,914	\$ 3,653,630	\$ 1,526,556	\$ 280,633	\$ 1,689,062	\$ -	\$ 8,381,795
Total operating revenues	<u>1,231,914</u>	<u>3,653,630</u>	<u>1,526,556</u>	<u>280,633</u>	<u>1,689,062</u>	<u>-</u>	<u>8,381,795</u>
Operating expenses:							
Administrative costs	331,880	286,547	674,733	94,406	1,124,746	-	2,512,312
Operations and maintenance	153,098	198,341	118,640	42,392	1,027,409	-	1,539,880
Water and disposal costs	601,050	1,672,740	726,569	-	-	-	3,000,359
Depreciation and amortization	14,349	679,164	130,636	96,425	185,892	-	1,106,466
Total operating expenses	<u>1,100,377</u>	<u>2,836,792</u>	<u>1,650,578</u>	<u>233,223</u>	<u>2,338,047</u>	<u>-</u>	<u>8,159,017</u>
Operating income (loss)	<u>131,537</u>	<u>816,838</u>	<u>(124,022)</u>	<u>47,410</u>	<u>(648,985)</u>	<u>-</u>	<u>222,778</u>
Nonoperating revenues (expenses):							
Interest income	-	5,955	-	-	777	-	6,732
Interest expense and fees	-	(486,863)	(12,632)	-	(7,328)	-	(506,823)
Misc income(expenses)	13,179	(92,324)	49,770	-	-	-	(29,375)
Total nonoperating revenues (expenses)	<u>13,179</u>	<u>(573,232)</u>	<u>37,138</u>	<u>-</u>	<u>(6,551)</u>	<u>-</u>	<u>(529,466)</u>
Income (Loss) before transfers	144,716	243,606	(86,884)	47,410	(655,536)	-	(306,688)
Operating transfers in-charges against interfund liabilities		878,278			1,830,224		2,708,502
Transfer from other funds	-	3,234,319	-	-	-	-	3,234,319
Transfer to other funds	<u>(200,000)</u>	<u>(150,000)</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>	<u>(3,234,319)</u>	<u>(3,659,319)</u>
Change in net assets	(55,284)	4,206,203	(161,884)	47,410	1,174,688	(3,234,319)	1,976,814
Total net assets(deficit), October 1	(61,185)	(3,233,590)	14,433	1,324,071	3,006,257	3,234,319	4,284,305
Prior period adjustments	<u>-</u>	<u>-</u>	<u>292,517</u>	<u>647,479</u>	<u>435,811</u>	<u>-</u>	<u>1,375,807</u>
Total net assets(deficit), October 1, as restated	<u>(61,185)</u>	<u>(3,233,590)</u>	<u>306,950</u>	<u>1,971,550</u>	<u>3,442,068</u>	<u>3,234,319</u>	<u>5,660,112</u>
Total net assets(deficit), September 30	<u>\$ (116,469)</u>	<u>\$ 972,613</u>	<u>\$ 145,066</u>	<u>\$ 2,018,960</u>	<u>\$ 4,616,756</u>	<u>\$ -</u>	<u>\$ 7,636,926</u>

See notes to basic financial statements.

CITY OF MIAMI SPRINGS, FLORIDA

STATEMENT OF CASH FLOWS ALL PROPRIETARY FUND TYPES YEAR ENDED SEPTEMBER 30, 2003

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Sanitation	Stormwater	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers, governments and other funds	\$ 1,256,377	\$ 3,718,593	\$ 1,627,430	\$ 591,471	\$ 1,674,589	\$ 8,868,460
Cash paid to suppliers	(743,860)	(2,304,832)	(835,266)	(44,305)	(1,045,842)	(4,974,105)
Cash paid to employees	(323,491)	(277,214)	(652,981)	(91,056)	(1,078,228)	(2,422,970)
Net cash (used in) provided by operating activities	189,026	1,136,547	139,183	456,110	(449,481)	1,471,385
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers from other funds	167,869	36,293	-	-	581,755	785,917
Transfers to other funds	(200,000)	(150,000)	(75,000)	-	-	(425,000)
Net cash (used in) provided by noncapital financing activities	(32,131)	(113,707)	(75,000)	-	581,755	360,917
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of fixed assets	(441,157)	(810,462)	-	(532,529)	(64,676)	(1,848,824)
Proceeds from notes payable	371,870	371,870	-	250,000	-	993,740
Principal retirements of capital debt	(41,688)	(333,036)	(60,158)	-	(52,583)	(487,465)
Interest paid on capital debt	-	(486,863)	(12,632)	-	(7,328)	(506,823)
Net cash used in capital and related financing activities	(110,975)	(1,258,491)	(72,790)	(282,529)	(124,587)	(1,849,372)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and other income	-	5,955	-	-	777	6,732
Net cash provided by investing activities	-	5,955	-	-	777	6,732
NET (DECREASE) INCREASE IN POOLED CASH AND CASH EQUIVALENT:	45,920	(229,696)	(8,607)	173,581	8,464	(10,338)
POOLED CASH AND CASH EQUIVALENTS, OCTOBER 1	314,077	827,736	20,045	117,309	45,146	1,324,313
POOLED CASH AND CASH EQUIVALENTS, SEPTEMBER 30	\$ 359,997	\$ 598,040	\$ 11,438	\$ 290,890	\$ 53,610	\$ 1,313,975
POOLED CASH AND CASH EQUIVALENTS PER STATEMENT OF NET ASSETS						
Unrestricted	\$ -	\$ 595,670	\$ 11,438	\$ 290,890	\$ 45,707	\$ 943,705
Restricted	359,997	2,370	-	-	7,903	370,270
TOTAL, SEPTEMBER 30	\$ 359,997	\$ 598,040	\$ 11,438	\$ 290,890	\$ 53,610	\$ 1,313,975
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income (loss)	\$ 131,537	\$ 816,838	\$ (124,022)	\$ 47,410	\$ (648,985)	\$ 222,778
Adjustments to reconcile operating income (loss) to net cash provided by(used in) operating activities:						
Depreciation	14,349	620,512	130,636	96,425	185,892	1,047,814
Change in assets and liabilities:						
Decrease in accounts receivable	13,671	55,224	13,974	329,561	7,952	420,382
(Increase) in inventories	-	-	-	-	(14,594)	(14,594)
Increase (decrease) in accounts payable and accrued liabilities	18,679	(374,587)	31,692	1,436	40,883	(281,897)
(Decrease) in accrued liabilities	-	-	-	(31,510)	(5,050)	(36,560)
Increase (decrease) in due to other funds	4,399	16,053	86,903	12,788	-	120,143
Increase (decrease) in customer deposits	6,391	(3,891)	-	-	(10,894)	(8,394)
(Decrease) in other liabilities	-	-	-	-	(4,685)	(4,685)
Increase in deferred revenues	-	6,398	-	-	-	6,398
Total adjustments	57,489	319,709	263,205	408,700	199,504	1,248,607
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 189,026	\$ 1,136,547	\$ 139,183	\$ 456,110	\$ (449,481)	\$ 1,471,385
NON-CASH NONCAPITAL FINANCING ACTIVITIES:						
Forgiveness of interfund liabilities	\$ -	\$ 841,985	\$ -	\$ -	\$ 1,248,469	\$ 2,090,454

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2003

	<u>Employees Retirement Funds</u>
<u>ASSETS</u>	
Equity in pooled cash and investments	\$ 1,087,429
Interest and dividends receivables	173,821
Investments, at fair value	<u>29,088,754</u>
 Total assets	 <u>\$ 30,350,004</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 18,715
Retirement benefit payable (DROP)	<u>479,654</u>
Total liabilities	<u>498,369</u>
 <u>NET ASSETS</u>	
Held in trust for pension benefits	<u>29,851,635</u>
Total net assets	<u>\$ 29,851,635</u>

See notes to basic financial statements

CITY OF MIAMI SPRINGS, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2003

	Employees Retirement <u>Funds</u>
ADDITIONS	
Contributions:	
City	\$ 75
Plan members	168,191
State revenue	57,065
Total contributions	<u>225,331</u>
Investment income:	
Net appreciation in fair value of investments	2,953,711
Interest and dividend income	1,013,902
Total investment income	<u>3,967,613</u>
Less investment expenses	<u>(169,281)</u>
Total additions	<u>4,023,663</u>
DEDUCTIONS	
Benefits paid	1,113,031
Administrative expenses	124,878
Refunds of contributions	176,306
Total deductions	<u>1,414,215</u>
Change in net assets	2,609,448
Net assets, October 1	<u>27,242,187</u>
Net assets, September 30	<u>\$ 29,851,635</u>

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF MIAMI SPRINGS, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Miami Springs, Florida (the "City") is a political subdivision of the State of Florida located in Miami-Dade County. The City operates under a Council-Manager form of government. The City Council is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed City Manager. The City provides public safety, general government, recreation and public works services to its residents. The City does not provide educational, fire or hospital facilities. Those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively. The accompanying financial statements present the City for the fiscal year ended September 30, 2003.

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits, or impose specific financial burdens on the City. At September 30, 2003, the City had no entities that met the requirements as defined within GASB Statement No. 14.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-wide and fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The city-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers receivables collected within 60 days after year-end to be available and recognizes them as revenues of the current year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *law enforcement fund* accounts for the resources accumulated from the sale of forfeited property as well as federal grants, all proceeds are to be used for law enforcement purposes only.

The government reports the following major proprietary funds:

The *water fund* accounts for the provision of potable water to residents and the corresponding sewage disposal, which is processed by Miami-Dade County. The City operates the water treatment facility, water distribution system, sewage transportation pipelines, and sewage pumping stations.

The *sewer fund* accounts for the infrastructure and operations of sewer services, which are funded through user charges.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The *sanitation fund* accounts for the operations of solid waster collection services, which are funded through user charges.

The *stormwater fund* accounts for the infrastructure and operations of stormwater transportation, which is funded through user charges.

The *golf course fund* accounts for the operations of the City of Miami Springs Golf Course and Country Club

Additionally, the City reports the following fund type:

The *pension trust funds* account for the activities of the General Employees Retirement System and the Police and Firefighters Retirement System. These funds accumulate resources for pension benefit payments to qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise fund functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, sanitation, stormwater and golf course funds, are charges to customers for sales and services.

The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is City policy to use restricted resources first, and then unrestricted resources as needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City maintains a pooled cash account for all funds except the pension trust funds. This enables the City to invest large amounts of idle cash for short periods of time and to optimize earnings potential.

The City's investments are reported at fair value. The City's investment in the State Board of Administration Investment Pool (2A-7 pool) is reported at its fair value of its position in the pool, which is the same as its value of the pool shares.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Operating revenues in the Water and Sewer Enterprise Funds are generally recognized on the basis of cycle billings rendered monthly. Revenues for services delivered during the last month of the fiscal year that have not been read by September 30 are accrued based on meter readings for the applicable consumption period and billed in October.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Accounts receivable allowances are based on historical trends.

Property taxes are levied as of January 1 on property values assessed as of the same date. Assessment and collection are made on behalf of the City by Miami Dade County.

F. Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the City by Miami Dade County on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Miami Dade County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters, which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes (Continued)

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the City is established by the City Council and the Miami Dade County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the City for the year ended September 30, 2003 was 8.65 mills (\$8.65 per \$1,000 of taxable assessed valuation). In addition, for the year ended September 30, 2003, the City assessed a debt service levy millage rate of .662 (\$0.662 per \$1,000 of taxable assessed valuation).

G. Inventories and Prepaid Costs

Inventories are valued at cost using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Restricted Assets

Certain assets of the debt service fund have been classified as restricted because their use is completely restricted by a bond indenture agreement for the City's debt service requirements.

I. Fixed Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	50
Improvements	20-30
Public domain infrastructure	40
System infrastructure	50
Furniture and equipment	5-10

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and the department, which the employee serves.

It is the City's sick leave policy to permit employees to accumulate earned but unused sick pay benefits.

The City's vacation policy is that earned vacation must be taken within one year of the employee's anniversary date, as there is no carryover from one period to another. Unused vacation pay, if any, is paid with the employee's termination or retirement.

Vacation and sick pay benefits are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds to reflect estimated current liability.

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are amortized over the term of the related debt. For enterprise fund types, bonds payable are reported net of the applicable bond premium, discount, and issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The description of each reserve indicated the purpose for which each was intended. Designations of fund balance represent tentative management plans that are subject to change.

Unreserved, undesignated fund balance is the portion of fund equity available for any lawful use.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Effect of New Pronouncements

As a result of implementing GASB Statement No. 34, and other subsequent pronouncements, the City's ending fund balance at September 30, 2002, was recalculated to derive beginning Net Assets, at October 1, 2002, as follows:

*Fund Balance at September 30, 2002 *	\$ 5,274,381
Net Capital Assets	10,604,273
Net pension asset	133,948
Miscellaneous adjustments due to the implementation of GASB 34	(20,388)
Long-term liabilities	<u>(4,711,630)</u>
Beginning Net Assets at October 1, 2002	<u>\$ 11,280,584</u>

* All governmental funds and expendable trust funds as of September 30, 2002

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Changes in accounting principles

In the fiscal year ending September 30, 2003, the City adopted the following statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus an amendment of GASB Statements No. 21 and No. 34*.

Statement No. 38, *Certain Financial Statement Note Disclosures*.

Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences, an amendment of GASB Statement No. 34*.

Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Statement No. 34 (as amended by Statement No. 37 and Statement No. 41) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e. the statement of net assets and the statement of activities) do not provide information by fund or account group, but distinguish between the City's governmental activities and business type activities. Significantly, the statement of net assets will include noncurrent assets, which were previously reported in the General Fixed Asset Account Group as well as noncurrent liabilities that were previously reported in the General Long Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets. Also, for the most part, the effect of interfund activity has been removed from these statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Changes in accounting principles (Continued)

The statement of activities demonstrates the degree to which direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and (3) investment income that is restricted for use on particular function or segment. Unrestricted investment income and other items not properly included among program revenues are reported as general revenues.

In addition to the government-wide financial statements, the City has prepared separate financial statements for governmental funds, proprietary funds and fiduciary funds. Governmental fund financial statements continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Proprietary and fiduciary fund financial statements continue to use the accrual basis of accounting and the economic resources measurement focus. Accordingly, the accounting and financial reporting of the fund financial statements is similar to those previously presented in the City's financial statements, although the format of the financial statements has been modified by Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Statement No. 34 also requires, as a component of required supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities.

Statement No. 38 requires certain disclosures to be made in the Notes to the Financial Statements concurrent with the implementation of Statement No. 34. While the Statement did not affect amounts reported in the financial statements of the City, certain note disclosures have been added and/or amended including descriptions of activities of major funds, future debt service obligations in five year increments, and interfund balances and transactions.

Interpretation No. 6 requires certain long-term liabilities to be recorded in the governmental fund statements only if the amount is due for payment in the period being reported. The City had unpaid amounts due at September 30, 2003.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Annual appropriations lapse at fiscal year end.

The City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing October 1. This budget includes proposed expenditures as well as the expected means of financing them. The Commission holds public hearings and a final budget must be prepared and adopted no later than October 1.

The appropriated budget is prepared by fund, function and department. The City Manager is authorized to transfer budgeted line items within a department classification; however, any revisions that alter the department totals must be approved by the City Council. Therefore, the department level is the legal level of budgetary control. Budgeted amounts are as originally adopted or as amended. Individual type amendments were not material in relation to the original appropriations.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because commitments will be reappropriated and honored during the subsequent year.

Expenditures exceeded appropriations in the general fund for the year ended September 30, 2003 at the following department levels, which is the legally controlled level of appropriations:

Public works	\$ 73,932
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This over expenditure was funded by greater than anticipated revenues.

Deficit Fund Equity

The following funds have deficit balances as of September 30, 2003:

Special Revenue Fund	
Senior Center	\$ 32,752
Enterprise Funds:	
Water	116,469

Senior Center Fund

Expenditures exceeded revenues by \$158,241 for the year ended September 30, 2003, the general fund transferred \$130,000 to the senior center fund during the year to cover operating expenses and to meet the City's matching requirements on certain grant covenants. The result was that the fund deficit increased by approximately \$28,000 from the prior year.

Water Enterprise Fund:

This fund reported an operating income of \$131,537 for the year ended September 30, 2003, however the water fund transferred \$200,000 to the general fund as a management fee during the year, these results increased the prior year fund deficit.

3. FUND EQUITY

Adjustments and reclassification of Fund Balance

As part of a comprehensive review of account activity within the City's funds, management identified a number of transactions that had been improperly accounted for in prior periods. Accordingly, the City's fund balances at September 30, 2002 for the General Fund, the Transportation Fund, the Sanitation Fund, the Stormwater Fund and the Golf Course Operations Fund, have been restated in order to properly classify amounts in the current fiscal year.

3. FUND EQUITY (CONTINUED)

Adjustments and reclassification of Fund Balance (Continued)

The following restatements resulted in adjustments to September 30, 2002 fund balances as follows:

<u>General Fund</u>	
Balance at September 30, 2002 (as reported)	\$2,076,218
Adjustments to Fund Balance:	
To record revenue receivables not properly recorded in prior periods	228,631
To record liabilities not properly recorded in prior periods	<u>(55,175)</u>
Total adjustments to fund balance	<u>173,456</u>
Restated Balance at September 30, 2002	<u>\$2,249,674</u>
<u>Non-major Governmental Funds</u>	
Balance at September 30, 2002 (as reported)	\$1,351,533
Adjustments to Fund Balance:	
To correct for amounts not properly accounted for in prior periods.	<u>36,180</u>
Restated Balance at September 30, 2002	<u>\$1,387,713</u>
<u>Proprietary Funds</u>	
Fund Equity at September 30, 2002 (as reported)	\$4,284,305
Adjustments to equity:	
To record adjustments to fixed assets improperly recorded in prior periods	1,395,000
To write-off receivable balances not properly recorded in prior periods	<u>(19,293)</u>
Restated Balance at September 30, 2002	<u>\$5,660,112</u>

During fiscal year 2003, the City transferred to the general fund \$162,082 from the excise tax fund, and \$295,576 was transferred from the general fund to the internal service funds in order to close out these funds. In addition, \$3,234,319 in fixed assets and debt was transferred to the sewer fund in order to close out the 1998 utility refunding bond fund.

4. DEPOSITS AND INVESTMENTS

The City, for accounting and investment purposes, maintains a cash and investment pool for use by all City funds. This gives the City the ability to invest large amounts of idle cash for short periods of time and to maximize earning potential. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and equity in pooled cash and investments. Income earned on pooled cash and investments is allocated to the respective funds based on relative month-end balances.

4. DEPOSITS AND INVESTMENTS (CONTINUED)

In addition, cash and investments are separately held by the City's Enterprise and Trust Funds and related investment income is recorded in these funds. Deposits consist of interest and non-interest bearing demand accounts and certificates of deposit. All of the City's deposits are entirely insured by federal depository insurance or collateralized by the multiple financial institution collateral pool pursuant to Florida Statutes, Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a fair value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. All City deposits are Category 1 credit risk as defined by GASB Statement No. 3, which are insured or collateralized with securities held by the City or by its agent in the City's name.

The book value of the City's deposits on the balance sheet date was \$3,687,683. The bank balance of the City's deposits as of September 30, 2003 was \$3,701,750.

The City's investment policy is governed by local ordinances, resolutions and bond covenants. Allowable investments include United States government obligations, guaranteed United States agency short-term issues, Florida bank certificates of deposit, and investments authorized by City Commission. The investments held in the Pension Trust Funds may be invested within the authority of the trustees of the pension plans and Florida Statutes.

The City's investments in the State Board of Administration (SBA) Local Government Surplus Funds Investment Pool are not required to be categorized as these investments are not evidenced by securities that exist in physical or book entry form. The City invested throughout the year in the SBA Investment Pool. The SBA is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the SBA.

The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedures consistent with the requirements for a 2A-7 fund. All SBA funds reported by the City are reported at fair value consistent with the valuation similar to a 2A-7 pool.

Investments are classified as to credit risk, which are summarized below:

- | | |
|------------|---|
| Category 1 | Insured or registered, or securities held by the City or its agent in the City's name. |
| Category 2 | Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. |
| Category 3 | Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name. |

The City does not participate in any securities lending transactions nor has it used, held or written derivative financial instruments.

The City's investments at September 30, 2003 are summarized below by type and level of risk assumed and are carried at fair value.

4. DEPOSITS AND INVESTMENTS (CONTINUED)

	<u>1</u>	<u>Category</u>		<u>Fair Value</u>
		<u>2</u>	<u>3</u>	
Certificates of Deposit	\$ 1,574,911	\$ -	\$ -	\$ 1,574,911
Investments not subject to risk categorization:				
State board of administration				<u>482,720</u>
Total investments				<u>\$ 2,057,631</u>

A reconciliation of deposits and investments as shown on the balance sheet and the statement of net assets is as follows:

Per Statement of Net Assets		By Category	
Cash and equity in pooled cash and investments	\$4,885,084	Cash	\$ 8,758
Investments	394,028	Deposits	3,687,683
Restricted assets:		Investments	<u>2,057,631</u>
Cash and cash equivalents	<u>474,960</u>		<u>\$5,754,072</u>
	<u>\$5,754,072</u>		

The Employee Pension Plan investments are held separately from those of other City funds. As prescribed by the plan documents, the plan administrator is authorized to invest plan assets in obligations of the U.S. Government and various mutual and money market funds, which are held by the plan administrators and not in the City's name. At September 30, 2003 and during the year, pension plan asset investments were as follows:

	<u>1</u>	<u>Category</u>		<u>Fair Value</u>
		<u>2</u>	<u>3</u>	
		\$ -	\$ -	
U.S. Treasury bonds and notes	\$ 5,405,816			\$ 5,405,816
Federal Agency bonds	5,518,496			5,518,496
Corporate stock	3,728,963			3,728,963
Common stocks	<u>14,435,479</u>			<u>14,435,479</u>
	\$ 29,088,754			\$ 29,088,754
Investments not subject to risk categorization:				
Money Market funds				<u>1,087,429</u>
Total investments				<u>\$ 30,176,183</u>

5. RECEIVABLES AND PAYABLES

Receivables at year-end for the City's governmental funds, including the applicable allowance for uncollectible accounts, are as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Other</u>	<u>Total</u>
Governmental activities				
General	\$ 38,442	\$ 439,336	\$ -	\$ 477,778
Law enforcement	-	-	1,407	1,407
Other governmental	<u>17,419</u>	<u>101,741</u>	<u>-</u>	<u>119,160</u>
Gross receivables	55,861	541,077	1,407	598,345
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 55,861</u>	<u>\$ 541,077</u>	<u>\$ 1,407</u>	<u>\$ 598,345</u>

Receivables at year-end for the City's business-type activities, including the applicable allowance for uncollectible accounts, are as follows:

	<u>Accounts</u>
Business-type activities	
Water	\$ 164,145
Sewer	469,700
Sanitation	164,935
Stormwater	42,954
Golf Course	<u>17,674</u>
Gross receivables	859,408
Less: Allowance for Uncollectibles	<u>(307,025)</u>
Net total receivables	<u>\$ 552,383</u>

In accordance with GASB 34 requirements, the City reports revenues net of bad debt write-offs during the fiscal year

Governmental funds report *deferred revenues* for receivables on revenues considered to be not yet available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition on revenues received but not yet earned. On September 30, 2003, *deferred revenue* and unearned revenue in the governmental funds amounted to \$56,485, which had been paid in advance for FY 04 business licenses.

5. RECEIVABLES AND PAYABLES (CONTINUED)

Payables at September 30, 2003 were as follows:

Governmental activities:	
General	\$ 649,514
Law enforcement	10,898
Nonmajor and other funds	<u>83,605</u>
Total governmental activities	<u>\$ 744,017</u>
Business-type activities:	
Water	\$ 378,802
Sewer	522,300
Sanitation	75,175
Stormwater	1,436
Golf Course	<u>69,261</u>
Total business-type activities	<u>\$ 1,046,974</u>

6. PROPERTY, PLANT AND EQUIPMENT

Capital assets activity for the year ended September 30, 2003 was as follows:

	Balance October 1, 2002	Additions	Deletions	Balance September 30, 2003
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,776,080	\$ -	\$ -	\$ 1,776,080
Construction in progress	<u>-</u>	<u>103,546</u>	<u>-</u>	<u>103,546</u>
Total assets not being depreciated	<u>1,776,080</u>	<u>103,546</u>	<u>-</u>	<u>1,879,626</u>
Capital assets being depreciated:				
Building	2,465,008	-	-	2,465,008
Improvements other than building	1,232,240	-	-	1,232,240
Infrastructure	14,594,057	-	-	14,594,057
Equipment	<u>2,785,724</u>	<u>348,053</u>	<u>-</u>	<u>3,133,777</u>
Total capital assets being depreciated	<u>21,077,029</u>	<u>348,053</u>	<u>-</u>	<u>21,425,082</u>
Less accumulated depreciation for:				
Building	(1,149,184)	(63,696)	-	(1,212,880)
Improvements other than building	(858,317)	(55,535)	-	(913,852)
Infrastructure	(8,896,786)	(393,912)	-	(9,290,698)
Equipment	<u>(1,448,095)</u>	<u>(248,220)</u>	<u>-</u>	<u>(1,696,315)</u>
Total accumulated depreciation	<u>(12,352,382)</u>	<u>(761,363)</u>	<u>-</u>	<u>(13,113,745)</u>
Net capital asset being depreciated	<u>8,724,647</u>	<u>(413,310)</u>	<u>-</u>	<u>8,311,337</u>
Governmental activity capital assets, net	<u>\$ 10,500,727</u>	<u>\$ (309,764)</u>	<u>\$ -</u>	<u>\$ 10,190,963</u>

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following is a summary of capital assets in the Enterprise Funds at September 30, 2003:

	Balance October 1, 2002	Additions	Deletions	* Adjustments	Balance September 30 2003
Business-type activities					
Land	\$ 500,000	\$ -	\$ -	\$ 800,000	\$ 1,300,000
Construction in progress	<u>384,376</u>	<u>1,244,309</u>	<u>(384,376)</u>	<u>-</u>	<u>1,244,309</u>
Total capital assets	<u>884,376</u>	<u>1,244,309</u>	<u>(384,376)</u>	<u>800,000</u>	<u>2,544,309</u>
Capital assets being depreciated:					
Building	2,510,544	-	-	434,306	2,944,850
Infrastructure	20,433,524	916,904	-	1,373,450	22,723,878
Improvements other than buildings	1,734,153	-	(7,576)	(781,040)	945,537
Machinery and equipment	<u>2,416,234</u>	<u>-</u>	<u>(317,416)</u>	<u>70,752</u>	<u>2,169,570</u>
Total assets being depreciated	27,094,455	916,904	(324,992)	1,097,468	28,783,835
Less accumulated depreciation for:					
Building	(426,127)	(110,904)	-	(54,347)	(591,378)
Infrastructure	(9,502,947)	(694,602)	6,381	(814,020)	(11,005,188)
Improvements other than buildings	(654,190)	(38,343)	-	488,886	(203,647)
Machinery and equipment	<u>(1,154,124)</u>	<u>(203,965)</u>	<u>342,033</u>	<u>(122,987)</u>	<u>(1,139,043)</u>
Total accumulated depreciation	<u>11,737,388</u>	<u>(1,047,814)</u>	<u>348,414</u>	<u>(502,468)</u>	<u>(12,939,256)</u>
Total assets being depreciated	<u>15,357,067</u>	<u>(130,910)</u>	<u>23,422</u>	<u>595,000</u>	<u>15,844,579</u>
Business activities capital assets, net	<u>\$ 16,241,443</u>	<u>\$ 1,113,399</u>	<u>\$ (360,954)</u>	<u>\$ 1,395,000</u>	<u>\$ 18,388,888</u>

* Adjustments to business-type activities fixed assets were made in the current year to remove and/or add fixed assets that have been sold, disposed of, or never recorded in the City's ledger in prior years.

Depreciation expense was charged to functions/programs of the City as follows:

General government	\$ 450,802
Public Safety	146,516
Public works	63,128
Recreation and social services	94,989
Economic environment	<u>5,928</u>
Total depreciation expense – governmental activities	<u>\$ 761,363</u>
Business- type activities	
Water	\$ 14,349
Sewer	620,512
Sanitation	130,636
Stormwater	96,425
Golf course	<u>185,892</u>
Total depreciation expense – business- type activities	<u>\$ 1,047,814</u>

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Construction Commitments

The City of Miami Springs has active construction projects as of September 30, 2003. The projects include repairs to the City's water and sewer infrastructure system as well as the relocation of water and sewer utility lines for the Lejeune Flyover Project. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Canal Street/Hook Square/Basin 14/15	\$ 536,172	\$ 318,199
Lejeune Flyover Project	743,740	495,650
	<u>\$ 1,279,912</u>	<u>\$ 813,849</u>

7. LONG-TERM DEBT

On October 1, 2002, the City signed a non-interest bearing promissory note (the "Note") with the Florida Department of Transportation (the "FDOT") in the amount of \$1,239,390 for the cost of relocating water and sewer utility lines located in the FDOT's right of way related to the "Lejeune Flyover Project". Under the terms of the note, the City is required to make 180 monthly payments of \$6,885 beginning on October 2002. However, if the total project costs upon completion are lower or greater than the original amount of the note, a new promissory note would be executed for the final project costs less payments made by the City as of the date of project completion. As of September 30, 2003, the FDOT had paid project costs of approximately \$744,000. The note was recorded for this amount since it represents the fair value of the services received. Interest was imputed on the note based on the City's borrowing rate which was calculated to be approximately 5%. Interest for fiscal year ended September 30, 2003 was calculated to be approximately \$16,500 and was deemed immaterial for financial statement presentation.

During fiscal year 2003, Miami Dade County (the "County") completed a canal dredging project which was to be paid by various municipalities based on a local match responsibility allocation. The City's responsibility was determined to be \$250,000 and was to be repaid beginning in FY 04 based on ten annual payments of \$25,000 plus interest of 3% annually on the outstanding balance.

Debt service requirements to maturity for the fiscal year ending September 30 for the County loan is summarized as follows:

	<u>County Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 25,000	\$ 6,845
2005	25,000	6,172
2006	25,000	5,478
2007	25,000	4,763
2008	25,000	4,027
2009-2013	<u>125,000</u>	<u>8,291</u>
	<u>\$ 250,000</u>	<u>\$ 35,576</u>

7. LONG-TERM DEBT (CONTINUED)

On September 18, 1997, the City issued \$5,000,000 of General Obligation Bonds with interest rates ranging from 4.00% to 5.10%, which mature on February 1, 2013, for the purchase and renovation of the Miami Springs Golf Course and Country Club from the City of Miami. The bonds are secured by a debt service millage levy of .662 mills.

On May 1, 1998, the City issued \$11,435,000 in Utility Systems Revenue Refunding and Improvement Bonds with interest rates ranging from 3.75% to 4.85%, which mature on September 21, 2021, to advance refund \$7,515,000 of outstanding 1994 Series Refunding Bonds with interest rates ranging from 2.5% to 5%. The net proceeds of \$10,898,910 (after payment of \$426,193 in underwriting fees, insurance, and other costs) plus an additional \$844,590 from 1994 Series reserve fund monies were used to purchase allowable investments in the amount of \$7,506,914. The remaining bond proceeds of \$3,391,996 were used to purchase short-term allowable investments to be utilized for the acquiring, construction, renovating, installing and equipping additions and improvements to the collection and transmission facilities of the sewer system. The \$7,506,914 in securities was deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Series bonds. As a result, the 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the sewer fund. At September 30, 2003, the outstanding amount of the in-substance defeased debt was approximately \$4.2 million.

In addition, unamortized costs from the 1994 Series bonds of approximately \$600,000 have been recorded as part of the net bonds payable at September 30, 1998 and are being amortized over the remaining life of the Series 1994 bonds using the effective interest method. At September 30, 2002, the net unamortized costs from the 1994 Series Bonds is approximately \$365,839. The refunding did not result in an economic gain or loss.

At September 30, 2003 and for the period then ended, the City had complied with the provisions of its bond indenture agreements. Debt service requirements to maturity for the fiscal year ending September 30 are summarized as follows:

	<u>Revenue Bonds</u>		<u>General Obligation Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 360,000	\$ 471,663	\$ 190,000	\$ 205,117	\$ 550,000	\$ 676,780
2005	375,000	456,362	200,000	196,292	575,000	652,654
2006	395,000	440,050	210,000	186,860	605,000	626,910
2007	410,000	422,670	220,000	176,808	630,000	599,478
2008	430,000	404,425	230,000	166,175	660,000	570,600
2009-2013	2,465,000	1,709,450	1,355,000	642,924	3,820,000	2,352,374
2014-2018	3,120,000	1,050,500	1,755,000	242,608	4,875,000	1,293,108
2019-2021	<u>2,270,000</u>	<u>230,750</u>	<u>-</u>	<u>-</u>	<u>2,270,000</u>	<u>230,750</u>
	9,825,000	5,185,869	4,160,000	1,816,785	13,985,000	7,002,654
Net unamortized costs	<u>(365,839)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(365,839)</u>	<u>-</u>
Total, net	<u>\$ 9,459,161</u>	<u>\$5,185,869</u>	<u>\$4,160,000</u>	<u>\$1,816,785</u>	<u>\$13,619,161</u>	<u>\$7,002,654</u>

7. LONG-TERM DEBT (CONTINUED)

Long-term liability activity for the year ended September 30, 2003 was as follows:

	October 1, 2002	Additions	Reductions	September 30, 2003	Due within One Year
Governmental Activities					
Bonds and notes payable:					
General obligation debt	\$ 4,345,000	\$ -	\$ (185,000)	\$ 4,160,000	\$ 190,000
Capital leases	-	272,000	-	272,000	87,857
Total bonds and notes payable	<u>4,345,000</u>	<u>272,000</u>	<u>(185,000)</u>	<u>4,432,000</u>	<u>277,857</u>
Other liabilities:					
Compensated absences	366,630	175,978	(155,590)	387,018	-
Governmental activity					
Long-term liabilities	<u>\$ 4,711,630</u>	<u>\$ 447,978</u>	<u>\$ (340,590)</u>	<u>\$ 4,819,018</u>	<u>\$ 277,857</u>
Business-type Activities					
Bonds and notes payable:					
Sewer Refunding Bond	\$ 10,175,000	\$ -	\$ (350,000)	\$ 9,825,000	\$ 360,000
Capital leases	474,337	-	(112,738)	361,599	133,053
Notes Payable-State of Florida	-	743,740	(83,376)	660,364	82,620
Notes Payable-Miami Dade County	-	250,000	-	250,000	25,000
Less deferred amounts					
for issuance discounts	<u>(424,491)</u>	<u>-</u>	<u>58,652</u>	<u>(365,839)</u>	<u>-</u>
Total bonds and notes payable	<u>10,224,846</u>	<u>993,740</u>	<u>(487,462)</u>	<u>10,731,124</u>	<u>600,673</u>
Other liabilities:					
Compensated absences	66,511	-	-	66,511	-
Business-type activity					
Long-term liabilities	<u>\$ 10,291,357</u>	<u>\$ 993,740</u>	<u>\$ (487,462)</u>	<u>\$ 10,797,635</u>	<u>\$ 600,673</u>

8. LEASES

Capital Leases

On July 16, 2003, the City entered into a lease agreement, with a local financial institution, as lessee for financing the acquisition of computer equipment for city-wide use. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The gross amount of equipment leased and capitalized under this lease was approximately \$272,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, were as follows:

Year ending September 30,	
2004	\$ 95,713
2005	95,713
2006	<u>95,713</u>
Total minimum lease payments	287,140
Less: amount representing interest (1.57% APR)	<u>(15,140)</u>
Present value of minimum lease payments	<u>\$272,000</u>

8. LEASES (CONTINUED)

Capital Leases (Continued)

On April 30, 2002, the City entered into a Master Lease agreement, with a local financial institution, as lessee for financing the acquisition of vehicles and equipment for the Sanitation and Golf Course enterprise funds. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The gross amount of cost of the equipment leased and capitalized was approximately \$391,600.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, were as follows:

	Year ending <u>September 30,</u>
2004	\$ 87,871
2005	87,871
2006	87,871
2007	<u>51,258</u>
Total minimum lease payments	314,871
Less: amount representing interest (7.24% APR)	<u>(25,194)</u>
Present value of minimum lease payments	<u>\$289,677</u>

On May 18, 2001 the City entered into a Master Lease agreement, with a local financial institution, as lessee for financing the acquisition of equipment for the Golf Course enterprise fund. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The gross amount of cost of the equipment leased and capitalized was approximately \$162,300.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003, were as follows:

	Year ending <u>September 30,</u>
2004	\$ 45,181
2005	<u>30,172</u>
Total minimum lease payments	75,353
Less: amount representing interest (5.38% APR)	<u>(3,431)</u>
Present value of minimum lease payments	<u>\$ 71,922</u>

8. LEASES (CONTINUED)

Operating Leases

The City leases equipment for its golf course enterprise fund under non-cancelable operating leases. Total costs for such leases were \$46,110 for the fiscal year ended September 30, 2003. The City also leases equipment under non-cancelable operating leases. Total costs for such leases were \$25,225 for the fiscal year ended September 30, 2003.

The future minimum lease payments are as follows:

	Year ending September 30,
2004	\$ 83,974
2005	64,930
2006	54,593
2007	30,841
2008	2,664
Total	<u>\$237,002</u>

9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2003 and the amount of interfund transfers for the fiscal year ended September 30, 2003 are as follows:

	Interfund Receivable*	Interfund Payable*	Transfers In**	Transfers Out**
General	\$311,444	\$ -	\$ 587,085	\$ 3,134,078
Law Enforcement Fund	-	32,344	-	-
Non-major governmental	-	7,141	130,000	162,085
Enterprise Funds	-	271,959	3,004,078	425,000
Total	<u>\$311,444</u>	<u>\$311,444</u>	<u>\$ 3,721,163</u>	<u>\$ 3,721,163</u>

*The balance of \$311,444 due to the general fund resulted from loans to the Senior Center for \$7,141; Water fund for \$173,268; Sanitation fund for \$85,903; Stormwater fund for \$12,788 and the Law Enforcement fund for \$32,344.

**Transfers in/out during the fiscal year are as follows:

- \$130,000 was transferred from the General fund to the Senior Center fund to meet the City's matching requirements of certain grant agreements awarded to the Senior Center
- \$581,755 was transferred from the General fund to the Golf Course fund to cover operating losses from the Golf Course operation
- \$36,293 was transferred from the General fund to the Sewer fund
- \$425,000 was transferred to the General fund from enterprise funds as administrative charges. Transfers were as follows: \$200,000 from the Water fund, \$150,000 from the Sewer fund, and \$75,000 from the Sanitation fund.

9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

- \$841,985 was transferred from the General fund to the Sewer fund in order to eliminate an interfund liability which was determined to be uncollectible.
- \$1,248,469 was transferred from the General fund to the Golf Course fund in order to eliminate an interfund liability which was determined to be uncollectible.
- During fiscal year 2003, the City transferred to the general fund \$162,082 from the excise tax fund, and \$295,576 was transferred from the general fund to the internal service funds through residual equity transfers in order to close out these funds. In addition, \$3,234,319 was transferred to the sewer fund as a residual equity transfer in order to close out the 1998 utility refunding bond fund.

10. RESTRICTED ASSETS

The balances of the restricted asset accounts in the enterprise funds is comprised of \$370,270 which represents customer deposits placed with the City for utility services.

11. EMPLOYEE RETIREMENT PLANS

(1) Plan Description

The City's Public Employee Retirement Systems (PERS) administers two single employer defined benefit pension plans established to provide pension benefits for its employees and beneficiaries. The two plans are the General Employees' Pension Fund and the City of Miami Springs Retirement System for Police and Firefighters. The PERS issues a publicly available financial report that includes financial statements and required supplementary information for both plans. The financial reports may be obtained by writing to the City of Miami Springs, 201 Westward Drive, Miami Springs, Florida 33166.

The City's payroll for employees covered by the General Employees Plan for the year ended September 30, 2003 was approximately \$3,097,800.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments that do not have an established market price are presented at estimated fair values as provided by the custodial bank and investment counsel.

11. EMPLOYEE RETIREMENT PLANS (CONTINUED)

(3) Funding Policy

General Employees

The pension board establishes the required employee contribution and the City is required to contribute the amount in excess of employee contributions to pay the annual pension cost. City employee members are required to contribute 5% of their annual covered salary, the City's contribution is limited to 10% of compensation paid to participants during the year. Annual contributions are actuarially determined as specified by the Retirement Ordinance as of October 1. The City is required to contribute at an actuarially determined rate. City and employee contributions for fiscal year 2003 were approximately \$-0- and \$-0-, respectively.

Police and Firefighters

The regular member contribution for both bargaining unit employees and non-bargaining unit managerial employees in that capacity after September 27, 1993 rate is 9% of earnings. If the combined City and Member contributions required for a year are less than 14% of covered payroll, the difference under 14% shall be rounded to the nearest .1% of budgeted payroll. The resulting difference shall be divided in two, with plan members reducing their contribution rates by half the difference, and the City reducing its contribution by the remaining half for that fiscal year. However, if the combined City and member contributions for any one fiscal year exceed 18% of the budgeted payroll for police officers, the excess rate over 18% will be divided by two with plan members paying half of the excess and the City paying the other half for that fiscal year. Annual contributions are actuarially determined as specified by the Retirement Ordinance as of October 1.

(4) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension asset to the General Employees Retirement System for the years ended September 30, 2002 was as follows:

Annual required contribution	\$ -
Interest on net pension asset	(6,271)
Less: adjustment to annual required contribution	<u>(11,418)</u>
Annual pension cost	(5,147)
Contributions made	<u>-</u>
(Decrease) in net pension asset	(5,147)
Net pension asset, beginning of year	<u>78,383</u>
Net pension asset, end of year	<u>\$ 73,236</u>

The annual required contribution for the current year was determined based on an October 1, 2002 actuarial valuation date using the aggregate actuarial cost method. Significant actuarial assumptions used in the actuarial valuation include (i) a rate of return on the investment of present and future assets of 8% a year compounded annually, (ii) projected salary increases ranging from 6%. Both (i) and (ii) include an inflation component of 4%. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

11. EMPLOYEE RETIREMENT PLANS (CONTINUED)

(4) Annual Pension Cost and Net Pension Obligation (Continued)

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Annual Pension Cost (APC)	Net Pension Asset
9/30/00	\$104,696	99.2%	\$30,823
9/30/01	2,127	2336.0	78,383
9/30/02	5,147	-0-	73,236

The City's Annual Pension Cost and net pension asset to the Police & Firefighters' Plan for the years ended September 30, 2002 were as follows:

Annual required contribution	\$43,649
Interest on net pension asset	(4,346)
Less: adjustment to annual required contribution	<u>(5,613)</u>
Annual pension cost	44,916
Contributions made	<u>51,299</u>
Increase in net pension asset	6,383
Net pension asset, beginning of year	<u>54,329</u>
Net pension asset, end of year	<u>\$60,712</u>

The annual required contribution for the current year was determined based on an October 1, 2002 actuarial valuation date using the aggregate actuarial cost method. Significant actuarial assumptions used in the actuarial valuation include (i) a rate of return on the investment of present and future assets of 8% a year compounded annually, (ii) projected salary increases ranging from 6%. Both (i) and (ii) include an inflation component of 4%. The assumptions did not include post-retirement benefit increases. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Annual Pension Cost (APC)	Net Pension Asset
9/30/00	\$57,093	98.3%	\$47,062
9/30/01	50,866	114.3	54,329
9/30/02	44,916	114.2	60,712

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no reductions in insurance coverage from coverages in the prior year and there have been no claims settled which have exceeded insurance coverage for each of the past three years.

12. RISK MANAGEMENT

Liability Insurance

The public liability program is designed to cover all public liability type claims incurred, subject to the limitation established by the State of Florida Waiver of Sovereign Immunity Act. Insurance coverage is primarily provided by the Florida Municipal Liability Insurance Program supplemented by other policies and outside carriers. The program is funded through contributions from operating departments of the City, which are recorded as expenditures of the respective funds and as revenues in the general fund. The City's deductible portion of liability claims and premiums paid to insurers are charged to the funds as incurred.

13. DEFINED CONTRIBUTION PLAN

The City of Miami Springs 401(a) Money Purchase Plan is a defined contribution plan established by the City to provide benefits at retirement for certain employees of upper management. At September 30, 2003, there were three plan members, the City Manager, Assistant City Manager and the Finance Director. The City is required to contribute on behalf of each participant 14.89% of earnings for the plan year. Participants are not permitted to make contributions. City contributions fully vest in the year they are contributed. Plan provisions and contribution requirements are established and may be amended by the City Council.

The plan assets are administered by ICMA Retirement Corp. Participants are mailed quarterly statements or can obtain daily account balances through the Internet. The City does not exercise any control over the plan assets. Contributions were approximately \$35,500 for the year ended September 30, 2003.

14. COMMITMENTS AND CONTINGENCIES

Litigation

Various suits and claims arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of legal counsel, the City has sufficient insurance coverage to cover any claims and/or liabilities, which may arise from such action. The effect of such losses would not materially affect the financial position of the City or the results of its operations.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. In the opinion of management, future disallowances of grant expenditures, if any, would not have a material adverse effect on the City's financial condition.

15. FINANCIAL CONDITION

The City performed a financial condition assessment pursuant to Rule 10.566(8) of the Rules of the State of Florida Auditor General. This assessment is required to be performed by the City in order to assess its financial condition on an ongoing basis and if applicable, identify trends that could result in the City being in a Technical State of Financial Emergency. The results of performing the financial condition assessment disclosed that approximately 56% of the financial indicators had unfavorable results, 28% had inconclusive results, and 16% had favorable results. In addition, the three critical indicators were rated as "unfavorable".

As more fully disclosed in Note 2 of the City's basic financial statements (Stewardship, Compliance and Accountability), operating losses accumulated over the prior years resulted in deficits in the senior fund of \$32,752 and unrestricted net assets deficits in the water and sanitation funds of \$510,839 and \$170,931, respectively. Additionally, the City has sustained operating deficits in the Golf Course Enterprise Fund for at least two successive years. These deficits were primarily subsidized with resources from the general fund.

The continued deficits in the City's proprietary fund along with deteriorating fund balances could have a negative effect upon the City's ability to meet its obligation and to provide the level of services it currently provides to its residents.

The results of the performance of the financial condition assessment prepared by the City indicate that the City continues to experience trends that if not corrected in the near future could result in the City being in a State of Financial Emergency.

Management has been aware of the financial condition of the City and has been in the process of developing a short term plan to reverse the deteriorating financial condition that has developed over the past six years. Management's plan, when completed, will include but not be limited to:

1. The aggressive pursuit of annexation of commercial/industrial areas currently available for annexation to various cities that could provide substantial increases in the City's tax base.
2. Continue efforts to develop and implement economic development and revitalization plans to reinvigorate the City's business district.
3. Implement a new operating model for the Golf Course management and operating structure that is expected to provide much improved fiscal accountability and a significant reduction of losses.
4. Through the budgeting process, evaluate and implement cost containment measures affecting the General Fund.
5. Continue improvements to the City's water and sewer utilities to reduce sewer treatment costs and water losses due to leakage.
6. The City Council has appointed a new City Manager with over 30 years of city government experience in South Florida. The City has hired a new Assistant City Manager and a Finance Director, who collectively have significant experience in government and finance. These appointments will assist the City in developing innovative plans designed to improve efficiency in operations, reduce costs, and to increase the City's fund balances.

REQUIRED SUPPLEMENTARY INFORMATION (OTHER THAN MD&A)

CITY OF MIAMI SPRINGS, FLORIDA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 5,227,695	\$ 5,227,695	\$ 5,309,854	\$ 82,159
Charges for services	174,900	174,900	276,164	101,264
Public service taxes	1,880,000	1,880,000	1,603,090	(276,910)
Intergovernmental	1,541,224	1,596,886	1,773,722	176,836
Licenses and permits	346,800	346,800	359,674	12,874
Fines and forfeitures	190,000	190,000	103,764	(86,236)
Miscellaneous	93,500	93,500	140,865	47,365
Investment income	-	-	23,893	23,893
Total revenues	<u>9,454,119</u>	<u>9,509,781</u>	<u>9,591,026</u>	<u>81,245</u>
Expenditures:				
Current:				
General government	2,062,597	2,202,179	1,915,350	286,829
Public safety	4,620,198	4,655,139	4,142,626	512,513
Public works	1,662,468	1,687,141	1,757,668	(70,527)
Recreation and social services	1,081,015	1,100,733	896,420	204,313
Total expenditures	<u>9,426,278</u>	<u>9,645,192</u>	<u>8,712,064</u>	<u>933,128</u>
Excess(deficiency) of revenues over(under) expenditures	<u>27,841</u>	<u>(135,411)</u>	<u>878,962</u>	<u>1,014,373</u>
Other financing sources (uses):				
Proceeds from capital lease	-	-	272,000	(272,000)
Operating transfers in-charges against interfund receivables	-	-	(2,708,502)	2,708,502
Transfers in	425,000	425,000	587,831	(162,831)
Transfers out	(130,000)	(130,000)	(426,322)	296,322
Total other financing (uses)	<u>295,000</u>	<u>295,000</u>	<u>(2,274,993)</u>	<u>2,569,993</u>
Net change in fund balance	<u>322,841</u>	<u>159,589</u>	<u>(1,396,031)</u>	<u>1,555,620</u>
Fund balances, October 1	<u>2,249,674</u>	<u>2,249,674</u>	<u>2,249,674</u>	<u>-</u>
Fund balances, September 30	<u>\$ 2,572,515</u>	<u>\$ 2,409,263</u>	<u>\$ 853,643</u>	<u>\$ 1,555,620</u>

CITY OF MIAMI SPRINGS, FLORIDA

BUDGETARY COMPARISON SCHEDULE

LAW ENFORCEMENT FUND

YEAR ENDED SEPTEMBER 30, 2003

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 138,309	\$ 138,309	\$ 303,856	\$ 165,547
Interest	-	-	33,248	33,248
Total revenues	<u>138,309</u>	<u>138,309</u>	<u>337,104</u>	<u>198,795</u>
Expenditures:				
Current:				
Education and training	129,309	164,199	181,867	17,668
Capital outlay	<u>9,000</u>	<u>9,000</u>	<u>76,969</u>	<u>67,969</u>
Total Expenditures	<u>138,309</u>	<u>173,199</u>	<u>258,836</u>	<u>85,637</u>
Excess (deficiency) of revenues over (under) expenditure:	-	(34,890)	78,268	113,158
Fund balances, October 1	<u>1,636,994</u>	<u>1,636,994</u>	<u>1,636,994</u>	-
Fund balances, September 30	<u>\$ 1,636,994</u>	<u>\$ 1,602,104</u>	<u>\$ 1,715,262</u>	<u>113,158</u>

CITY OF MIAMI SPRINGS, FLORIDA

NOTE TO BUDGETARY COMPARISON SCHEDULE FISCAL YEAR ENDED SEPTEMBER 30, 2003

A. Budgetary Information

The following procedures are used to establish the budgetary data reflected in the financial statements:

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States.

1. Prior to July 30 of each year, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing such expenditures.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The level of control at which expenditures may not exceed budget is at the departmental level. The City Commission approves these levels by annual resolution. The City Manager is authorized to transfer budgeted amounts within individual departments; any revisions that alter the total expenditures of any appropriation center within a fund must be approved by the City Commission.

Appropriations lapse at year end, except for grants and shared revenues from other governmental units which do not lapse at year-end and are only reported to the extent of revenues recognized, and expenditures incurred for the current year. Individual amendments were not material in relation to the original adopted budget.

CITY OF MIAMI SPRINGS, FLORIDA
EMPLOYEES' PENSION FUNDS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(Unaudited)

General Employees' Pension Fund:

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value Assets (AVA)	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Actuarial Accrued Liability (UAAL)(3)-(2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL As % of Covered Payroll (4)/(6)
10/1/97	\$7,703,046	\$6,380,390	\$(1,322,656)	120.7%	\$2,916,129	(45.4)
10/1/98	8,495,731	6,883,280	(1,612,451)	123.4	2,977,751	(54.1)
10/1/99	9,646,613	7,308,588	(2,338,025)	132.0	2,863,379	(81.7)
10/1/00	10,780,335	8,273,005	(2,507,330)	130.3	3,069,479	(81.7)
10/1/01	11,671,813	9,132,700	(2,539,113)	127.8	2,987,599	(85.0)
10/1/02	11,841,208	9,776,521	(2,068,687)	121.2	3,222,834	(64.2)

Police & Firefighters' Pension Fund:

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Actuarial Valuation Date	Actuarial Value Assets (AVA)	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded Actuarial Accrued Liability (UAAL)(3)-(2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL As % of Covered Payroll (4)/(6)
10/1/97	\$13,172,435	\$10,678,212	\$(2,494,223)	123.4%	\$2,011,862	(124.0)
10/1/98	14,419,701	11,224,635	(3,195,066)	128.5	1,694,220	(188.6)
10/1/99	15,694,388	12,300,196	(3,394,192)	127.6	1,864,081	(182.1)
10/1/00	16,997,941	13,050,899	(3,947,042)	130.2%	1,762,503	(223.9)
10/1/01	18,066,619	13,696,960	(4,369,689)	131.9	1,784,871	(244.8)
10/1/02	18,220,141	14,386,889	(3,833,252)	126.6	1,975,547	(194.0)

CITY OF MIAMI SPRINGS, FLORIDA
EMPLOYEES' PENSION FUNDS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

General Employees' Pension Fund:

(1)	(2)	(3)
<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
9/30/00	\$ 103,400	100.4%
9/30/01	789	6297.5
9/30/02	-0-	N/A

Police & Firefighters' Pension Fund:

(1)	(2)	(3)
<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
9/30/00	\$ 55,842	100.5%
9/30/01	49,703	117.0
9/30/02	43,649	117.5

CITY OF MIAMI SPRINGS, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	Special Revenue								Debt Service	Total Nonmajor Governmental Funds
	Transportation	Senior Center	Grants	Safe Neighborhoods Parks	Hurricane	Criminal Justice	Miami Springs Recreation	Police	General Obligation Bond	
ASSETS										
Cash and equity in pooled cash and investments	\$ 825,177	\$ 8,770	\$ 97,451	\$ 12,505	\$ 169,409	\$ 22,555	\$ 33,930	\$ 94,147	\$ -	\$ 1,263,944
Accounts receivable - net	115,210	337	-	3,613	-	-	-	-	-	119,160
Restricted assets:										
Cash and equity in pooled cash and investments	-	-	-	-	-	-	-	-	104,690	104,690
Deferred charges	185	-	-	-	-	-	-	-	-	185
Total assets	<u>\$ 940,572</u>	<u>\$ 9,107</u>	<u>\$ 97,451</u>	<u>\$ 16,118</u>	<u>\$ 169,409</u>	<u>\$ 22,555</u>	<u>\$ 33,930</u>	<u>\$ 94,147</u>	<u>\$ 104,690</u>	<u>\$ 1,487,979</u>
LIABILITIES										
Accounts payable	\$ 55,073	\$ 20,957	\$ 7,575	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,605
Accrued payroll	-	4,163	43	-	-	-	-	-	-	4,206
Accrued compensated absences	-	9,598	-	-	-	-	-	-	-	9,598
Deferred revenues	-	-	-	516	-	-	-	-	-	516
Due to other funds	-	7,141	-	-	-	-	-	-	-	7,141
Total liabilities	<u>55,073</u>	<u>41,859</u>	<u>7,618</u>	<u>516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,066</u>
FUND BALANCES										
Reserved for:										
Encumbrances	38,628	77,972	83,092	-	164,694	-	-	-	-	364,386
Special revenue fund	846,871	(110,724)	6,741	15,602	4,715	22,555	33,930	94,147	-	913,837
Debt service fund	-	-	-	-	-	-	-	-	104,690	104,690
Unreserved reported in:										
Debt service fund	-	-	-	-	-	-	-	-	-	-
Total fund balances (deficit)	<u>885,499</u>	<u>(32,752)</u>	<u>89,833</u>	<u>15,602</u>	<u>169,409</u>	<u>22,555</u>	<u>33,930</u>	<u>94,147</u>	<u>104,690</u>	<u>1,382,913</u>
Total liabilities and fund balances	<u>\$ 940,572</u>	<u>\$ 9,107</u>	<u>\$ 97,451</u>	<u>\$ 16,118</u>	<u>\$ 169,409</u>	<u>\$ 22,555</u>	<u>\$ 33,930</u>	<u>\$ 94,147</u>	<u>\$ 104,690</u>	<u>\$ 1,487,979</u>

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds account for revenues from revenue sources which by law are designated to finance particular functions or activities of government.

Transportation Fund. This fund is used to account for expenditures for transportation related improvements.

Senior Center Fund. This fund is used to account for the financial management of programs funded under Title III of the Older Americans Act.

Grants Fund. This fund is used to account for monies provided to the City from an outside agency, other than routine revenues, which are normally slated to accomplish a specific project or task. Grant funds can either be an entitlement to which the City is qualified to receive by virtue of its existence, or discretionary which the City must compete for.

Safe Neighborhoods Park Bond Fund. This fund is used to account for Safe Neighborhoods Parks Bond funds received from the County and the related capital expenditures.

Hurricane Fund. This fund is used to account for FEMA funds received and the expenditures related thereto resulting from hurricane and tropical storm clean up and restoration.

Criminal Justice Fund. This fund is used to account for funds to educate and train local police officers.

Miami Springs Recreation Trust Fund. This fund is used to account for donations that are received for designated or undesignated recreation purposes.

Police Trust. This fund is used to account for donations that are received for Drug Abuse Resistance Education (DARE) programs.

Debt Service Funds

General Obligation Debt Service Fund – to account for the accumulation of transfers from other funds and payment of principal and interest and fiscal charges on the City's general obligation bonds which are payable from ad valorem taxes.

CITY OF MIAMI SPRINGS, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue										Debt Service	Total Nonmajor Governmental Funds
	Transportation	Excise Tax	Senior Center	Grants	Safe Neighborhoods Parks	Hurricane	Criminal Justice	Miami Springs Recreation	Police	Total	General Obligation Bond	
Revenues:												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 335,692	\$ 335,692
Intergovernmental	631,454	-	162,602	167,804	38,338	41,347	-	-	-	1,041,545	-	1,041,545
Fines and forfeitures	-	-	-	-	-	-	3,763	5,750	-	9,513	-	9,513
Interest	-	-	-	-	-	-	-	-	1,364	1,364	-	1,364
Miscellaneous	16,335	-	-	-	-	-	-	-	-	16,335	-	16,335
Total revenues	647,789	-	162,602	167,804	38,338	41,347	3,763	5,750	1,364	1,068,757	335,692	1,404,449
Expenditures:												
Current:												
General government	160,777	-	-	-	-	-	-	-	-	160,777	4,175	164,952
Recreation and social services	-	-	310,891	-	-	-	-	4,995	-	315,886	-	315,886
Economic and community development	-	-	-	127,367	-	268,955	-	-	-	396,322	-	396,322
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	185,000	185,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	213,463	213,463
Capital outlay:												
General government	24,809	-	-	-	-	-	-	-	-	24,809	-	24,809
Recreation and social services	-	-	-	-	30,900	-	-	-	-	30,900	-	30,900
Economic and community development	-	-	9,952	35,883	-	-	-	-	-	45,835	-	45,835
Total expenditures	185,586	-	320,843	163,250	30,900	268,955	-	4,995	-	813,752	402,638	1,377,167
Excess (deficiency) of revenues over expenditures	462,203	-	(158,241)	4,554	7,438	(227,608)	3,763	755	1,364	94,228	(66,946)	27,282
Other financing sources												
Transfers in	-	-	130,000	-	-	-	-	-	-	130,000	-	130,000
Transfers out	-	(162,082)	-	-	-	-	-	-	-	(162,082)	-	(162,082)
Total other financing sources	-	(162,082)	130,000	-	-	-	-	-	-	(32,082)	-	(32,082)
Net change in fund balance	462,203	(162,082)	(28,241)	4,554	7,438	(227,608)	3,763	755	1,364	62,146	(66,946)	(4,800)
Fund balances, October 1	387,116	162,082	(4,511)	85,279	8,164	397,017	18,792	33,175	92,783	1,179,897	171,636	1,351,533
Prior period adjustments	36,180	-	-	-	-	-	-	-	-	36,180	-	36,180
Fund balances, October 1, as restated	423,296	162,082	(4,511)	85,279	8,164	397,017	18,792	33,175	92,783	1,216,077	171,636	1,387,713
Fund balances, September 30	\$ 885,499	\$ -	\$ (32,752)	\$ 89,833	\$ 15,602	\$ 169,409	\$ 22,555	\$ 33,930	\$ 94,147	\$ 1,278,223	\$ 104,690	\$ 1,382,913

TRUST AND AGENCY FUNDS

Pension Trust Funds

Trust and Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or funds. The City has three Pension Trust Funds.

General Employees and Police and Firefighters Retirement Funds. These pension trust funds are used to account for the accumulation of resources to be used for retirement benefit payments to the City's employees. Resources are contributed by employees at rates fixed by law and by the City at amounts determined by actuarial valuations.

CITY OF MIAMI SPRINGS, FLORIDA
COMBINING STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2003

	<u>Pension Trust Funds</u>		
	<u>General</u>	<u>Police and</u>	
	<u>Employees</u>	<u>Firefighters</u>	
	<u>Retirement</u>	<u>Retirement</u>	<u>Total</u>
 <u>ASSETS</u>			
Equity in pooled cash and investments	\$ 446,162	\$ 641,267	\$ 1,087,429
Receivables:			
Interest and dividends	70,474	103,347	173,821
Investments, at fair value	<u>11,885,225</u>	<u>17,203,529</u>	<u>29,088,754</u>
Total assets	<u>12,401,861</u>	<u>17,948,143</u>	<u>30,350,004</u>
 <u>LIABILITIES</u>			
Accounts payable	6,142	12,573	18,715
Retirement benefit payable (DROP)	<u>66,466</u>	<u>413,188</u>	<u>479,654</u>
Total liabilities	<u>72,608</u>	<u>425,761</u>	<u>498,369</u>
 <u>NET ASSETS</u>			
Held in trust for pension benefits	<u>12,329,253</u>	<u>17,522,382</u>	<u>29,851,635</u>
Total net assets	<u>\$ 12,329,253</u>	<u>\$ 17,522,382</u>	<u>\$ 29,851,635</u>

CITY OF MIAMI SPRINGS, FLORIDA
COMBINING STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2003

	<u>General Employees Retirement</u>	<u>Police and Firefighters Retirement</u>	<u>Total</u>
ADDITIONS			
Contributions:			
City	\$ -	\$ 75	\$ 75
Plan members	158,240	9,951	168,191
State revenue	-	57,065	57,065
Total contributions	<u>158,240</u>	<u>67,091</u>	<u>225,331</u>
Investment income:			
Net appreciation in fair value of investments	1,176,080	1,777,631	2,953,711
Interest and dividend income	<u>412,412</u>	<u>601,490</u>	<u>1,013,902</u>
Total investment income	1,588,492	2,379,121	3,967,613
Less investment expenses	<u>(84,927)</u>	<u>(84,354)</u>	<u>(169,281)</u>
Net investment income	1,503,565	2,294,767	3,798,332
Total additions	<u>1,661,805</u>	<u>2,361,858</u>	<u>4,023,663</u>
DEDUCTIONS			
Benefits paid	401,570	711,461	1,113,031
Administrative expenses	45,588	79,290	124,878
Refunds of contributions	<u>80,502</u>	<u>95,804</u>	<u>176,306</u>
Total deductions	<u>527,660</u>	<u>886,555</u>	<u>1,414,215</u>
Change in net assets	1,134,145	1,475,303	2,609,448
Net assets, October 1	<u>11,195,108</u>	<u>16,047,079</u>	<u>27,242,187</u>
Net assets, September 30	<u>\$ 12,329,253</u>	<u>\$ 17,522,382</u>	<u>\$ 29,851,635</u>

STATISTICAL SECTION (SUPPLEMENTAL DATA)

CITY OF MIAMI SPRINGS, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Utility Taxes</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
1994	3,186,684	245,449	-	966,355	677,337	141,588	41,706	18,097	5,277,216
1995	3,201,718	231,713	-	986,645	261,763	158,306	100,197	115,358	5,055,700
1996	3,335,410	382,800	-	998,617	269,957	185,704	106,063	55,047	5,333,598
1997	3,428,889	442,316	-	994,908	230,906	190,325	141,286	111,001	5,539,631
1998	3,550,445	495,800	-	1,041,652	222,028	191,978	119,602	65,934	5,687,439
1999	3,593,494	372,971	-	1,044,169	222,127	236,447	99,994	98,811	5,668,013
2000	4,008,871	397,977	-	1,104,679	218,598	205,608	175,049	65,383	6,176,165
2001	4,252,226	329,869	-	1,110,573	249,045	228,281	147,642	207,149	6,524,785
2002	4,895,579	414,845	-	1,116,831	269,213	236,873	37,856	79,718	7,050,915
2003	5,309,854	359,674	1,603,090	1,142,268	276,164	103,764	23,893	140,865	8,959,572

CITY OF MIAMI SPRINGS, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

Fiscal Year	General Government	Public Safety	Public Works	Recreation and Culture	Non- Departmental and Capital Outlay	Total
1994	1,014,963	3,208,216	1,201,369	727,236	588,000	6,739,784
1995	1,165,266	3,281,455	1,162,778	933,690	252,685	6,795,874
1996	1,090,532	3,252,915	1,183,603	850,520	521,790	6,899,360
1997	1,218,916	3,507,996	1,142,522	796,484	234,581	6,900,499
1998	1,031,496	3,631,211	1,320,299	760,635	68,243	6,811,884
1999	1,170,764	3,686,148	1,400,152	810,038	230,570	7,297,672
2000	1,139,880	3,935,295	1,306,267	743,645	525,564	7,650,651
2001	1,200,515	4,052,125	1,413,852	866,281	436,777	7,969,550
2002	1,366,659	4,184,342	1,573,400	977,316	606,010	8,707,727
2003	1,437,897	4,055,225	1,757,668	896,420	564,854	8,712,064

Note: General Fund Only

CITY OF MIAMI SPRINGS, FLORIDA

PROPERTY TAX RATES

LAST TEN FISCAL YEARS

Fiscal Year	City		County			Special Districts				Total Property Tax Rate
	City Wide	Debt Service	County-Wide	Debt Service	Fire	MDCC	Library	School	State	
1994	6.709	0.000	7.500	0.808	3.150	0.750	0.351	9.503	0.597	29.368
1995	6.700	0.000	6.828	0.789	2.558	0.030	0.329	10.389	0.687	28.310
1996	6.700	0.000	6.828	0.829	2.518	-	0.329	10.389	0.687	28.280
1997	6.700	0.000	6.469	0.774	2.745	-	0.339	10.366	0.710	28.103
1998	6.950	0.891	6.023	0.837	2.864	-	0.334	10.260	0.644	28.803
1999	7.450	0.848	5.809	0.816	2.752	-	0.321	9.744	0.641	28.381
2000	7.450	0.588	5.751	0.652	2.752	-	0.351	9.717	0.638	27.899
2001	7.450	0.662	5.713	0.552	2.683	-	0.451	9.445	0.736	28.192
2002	7.750	0.662	5.889	0.390	2.661	-	0.486	9.417	0.736	27.992
2003	8.144	0.543	6.469	0.285	2.661	-	0.486	9.100	0.736	28.423

Additional information:

Property tax rates are assessed per \$1,000 of Taxable Assessed Valuation

Tax rate limits:

City 10.000 Mills
County 10.000 Mills
School 10.000 Mills
State 1.000 Mill

Source: Miami-Dade County
Department of Property Appraisal

CITY OF MIAMI SPRINGS, FLORIDA

PROPERTY TAX LEVIES AND COLLECTION

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Adjusted Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections Tax Levy</u>
1994	2,995,000	2,932,308	97.9%	254,377	3,186,685	106.4%
1995	3,206,060	3,182,814	99.3%	18,904	3,201,718	99.9%
1996	3,315,000	3,222,080	97.2%	113,330	3,335,410	100.6%
1997	3,412,532	3,293,225	96.5%	135,664	3,428,889	100.5%
1998	3,834,771	3,466,732	90.4%	93,712	3,560,444	92.8%
1999	3,685,761	3,524,806	95.6%	55,586	3,580,392	97.1%
2000	4,139,585	3,831,268	92.6%	177,603	4,008,871	96.8%
2001	4,339,783	4,186,507	96.5%	65,719	4,252,226	98.0%
2002	4,743,838	4,862,560	102.5%	33,019	4,895,579	103.2%
2003	5,465,993	5,283,941	96.7%	25,913	5,309,854	97.1%

Note: Total Adjusted Tax Levy is based on final assessed property values by Miami-Dade County Department of Property Appraisal office after the Property Appraisal Adjustment Board has completed hearings on the tax roll; and before discounts.

Discounts Allowed:

November	4%
December	3%
January	2%
February	1%
April	Taxes delinquent

CITY OF MIAMI SPRINGS, FLORIDA

ASSESSED VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Centrally Assessed Property Value	Gross Assessed Property Value
1994	445,021,958	54,131,774	19,523	499,173,255
1995	463,339,132	52,738,435	19,308	516,096,875
1996	463,687,206	55,965,584	18,791	519,671,581
1997	479,115,252	56,835,834	19,039	535,970,125
1998	490,729,243	49,973,107	25,376	540,727,726
1999	506,468,957	56,524,713	25,054	563,018,724
2000	532,171,301	83,157,143	25,385	615,353,829
2001	570,033,667	74,263,104	27,632	644,324,403
2002	587,221,157	83,425,665	27,245	670,674,067
2003	645,952,976	82,765,913	27,050	728,745,939

Note: (1) Real, Personal, and Central Business District Property is assessed by the Miami-Dade County Department of Property Appraisal as of January 1 each tax year and is used in the following fiscal year ending September 30.

(2) The basis of assessed values is approximately one hundred percent (100%) of actual Real, Personal and Central Business District Property values.

(3) Gross Assessed Property Value is equal to the sum of Real Property, Personal Property and Property Centrally Assessed for operating purposes less any exemptions.

Sources: Miami-Dade County
Department of Property Appraisal -DR-420

CITY OF MIAMI SPRINGS, FLORIDA

DIRECT AND OVERLAPPING DEBT

FISCAL YEAR ENDED SEPTEMBER 30, 2003

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Miami Springs</u>	<u>Amount Applicable to <u>Miami</u> Springs</u>
City of Miami Springs	13,985,000	100.0%	13,985,000
Miami-Dade County Schools (1)	1,034,211,151	0.7%	7,239,478
Miami-Dade County (2)	242,086,726	0.7%	1,694,607

Note: The "Net Debt Outstanding" for the Miami-Dade County School System for this report represents the total debt confirmed by the organization's comptroller.

Sources: (1) Miami-Dade County Schools, General Finance Department
(2) Miami-Dade County, Finance Department (includes General Obligation, Special Obligation Bonds)

CITY OF MIAMI SPRINGS, FLORIDA
RATIO OF NET GENERAL BONDED DEBT TO TAXABLE ASSESSED VALUE AND NET
BONDED DEBT PER CAPITA/ PERCENTAGE OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
Last Ten Fiscal Years
(unaudited)

Fiscal Year	Population (2)	Total Assessed Value	Gross Bonded Debt (1)	Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Assessed Value	Net Bonded Debt Per Capita	Principal	Interest	Total Debt Service	Total General Expenditures	Percentage of Debt Service to Total General Expenditures
1994	13,276	\$ 499,173,255	\$ -	\$ -	\$ -	-	-	\$ -	\$ -	\$ -	\$ 6,739,784	-
1995	13,279	516,096,875	-	-	-	-	-	-	-	-	6,795,874	-
1996	13,281	519,671,581	-	-	-	-	-	-	-	-	6,899,360	-
1997	13,284	535,970,125	-	-	-	-	-	-	-	-	6,900,499	-
1998	13,287	540,727,726	5,000,000	-	5,000,000	0.009	376.31	-	224,352	224,352	6,811,884	3.29%
1999	13,290	563,018,724	4,845,000	(62,652)	4,907,652	0.009	369.27	155,000	241,648	396,648	7,297,672	5.44%
2000	13,295	615,353,829	4,685,000	(115,822)	4,800,822	0.008	361.10	160,000	235,268	395,268	7,650,651	5.17%
2001	13,712	644,324,403	4,520,000	(165,678)	4,685,678	0.007	341.72	165,000	228,523	393,523	7,969,550	4.94%
2002	13,901	670,674,067	4,345,000	(171,636)	4,516,636	0.007	324.91	175,000	221,295	396,295	8,707,727	4.55%
2003	13,725	728,357,668	4,160,000	(104,690)	4,264,690	0.006	310.72	185,000	213,463	398,463	8,712,064	4.57%

Notes:

(1) Includes General Obligation Bonds payable from general revenues. Does not include Revenue Bonds payable from revenues.

(2) Furnished by the Bureau of Economic and Business Research (University of Florida)

CITY OF MIAMI SPRINGS, FLORIDA

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2003

The Charter of the City of Miami Springs imposes no bonded debt limit.

CITY OF MIAMI SPRINGS, FLORIDA

REVENUE BOND COVERAGE

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1994	2,421,198	1,406,684	1,014,514	345,000	258,010	603,010	168
1995	3,713,147	3,713,147	-	480,000	381,703	861,703	-
1996	4,667,204	3,657,259	1,009,945	490,000	349,470	839,470	120
1997	4,955,872	3,825,070	1,130,802	505,000	332,320	837,320	135
1998	5,060,001	3,183,505	1,876,496	-	335,713	335,713	559
1999	3,641,641	2,292,819	1,348,822	295,000	536,000	831,000	162
2000	3,747,554	2,744,022	1,003,532	310,000	525,625	835,625	120
2001	3,514,412	2,774,223	740,189	320,000	513,229	833,229	89
2002	4,785,708	3,917,323	868,385	335,000	500,265	835,265	104
2003	4,885,544	3,243,656	1,641,888	350,000	486,362	836,362	196

Note: Gross Revenue includes total operating revenues, interest income, miscellaneous revenue and operating transfers.

Direct Operating Expenses do not include depreciation.

CITY OF MIAMI SPRINGS, FLORIDA

PROPERTY VALUES, BUILDING CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Fiscal Year	Property Value (1)	Residential		Commercial		Bank Deposits (2) for County
		Units	Value	Units	Value	
1994	499,173,255	3	2,095,000	2	290,010	22,463,569
1995	516,096,875	94	876,005	17	681,900	24,824,611
1996	519,671,581	101	1,361,530	29	1,075,300	26,748,125
1997	535,970,125	81	1,818,546	29	7,686,656	28,302,263
1998	540,727,726	43	2,163,489	85	16,850,990	36,659,805
1999	540,727,726	-	-	3	13,848,000	37,537,626
2000	563,018,724	3	565,374	1	1,000,590	40,543,000
2001	615,353,829	8	2,325,119	2	1,450,000	45,063,851
2002	644,324,407	90	4,104,374	2	344,293	51,297,000
2003	670,674,067	691	4,621,346	56	933,524	56,264,000

Note: Construction refers to new construction only, improvements are not to be included in these figures.

Sources: (1) Property values are estimated at one hundred percent (100%) of assessed Real, Personal and Central Business District Property values.

(2) State of Florida, Division of Banking as of June 30, of each respective year.

CITY OF MIAMI SPRINGS, FLORIDA

PRINCIPAL TAXPAYERS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Valuation</u>	<u>Percentage Total Assessed Valuation</u>
Felcor/ CSS Holdings L.P.	Hotel Facility	\$ 18,287,500	2.8%
AA Group, Ltd.	Auto Storage	8,850,127	1.4%
Biscayne Properties, Inc. TR & Fairways, Inc.	Hotel Facility	7,032,255	1.1%
Red Roof Inns	Hotel Facility	6,225,304	1.0%
Airport Financial Center, Inc.	Commercial	6,103,548	0.9%
Fairhaven Real Estate, LLC.	Nursing Home	5,679,232	0.9%
Dorian Van Beyer Callen & Charlotte Callen	Hotel Facility	5,250,000	0.8%
First Union National Bank	Bank-Financial	4,943,000	0.8%
First Choice Properties Corp.	Hotel Facility	4,785,825	0.7%
Beck-Marcus Assoc.-Miami Airport	Hotel Facility	4,513,472	0.7%
Southern Bell Tel. & Tel. Co.	Commercial	4,500,000	0.7%
Boulevard Motel Corp.	Hotel Facility	3,411,600	0.5%
Royal Palm Properties	Apartment Complex	2,980,000	0.5%
Miami Springs Villas	Apartment Complex	2,667,500	0.4%
Berthold & Marjorie B. Samertis	Apartment Complex	2,321,877	0.4%
Hideaway in the Grove. Ltd.	Apartment Complex	2,159,421	0.3%
	Totals	<u>\$ 89,710,661</u>	<u>13.9%</u>

Sources: Miami-Dade County Tax Assessors' Office
2003 Tax Roll
Real/personal property adjusted taxable value- \$670,674,067.

CITY OF MIAMI SPRINGS, FLORIDA

TEN LARGEST PUBLIC AND PRIVATE EMPLOYERS LOCATED IN MIAMI-DADE COUNTY, FLORIDA

FISCAL YEAR ENDED SEPTEMBER 30, 2003

TEN LARGEST PUBLIC EMPLOYERS		TEN LARGEST PRIVATE EMPLOYERS	
Miami-Dade County Public Schools	45,886	University of Miami	9,079
Miami-Dade County, Florida	32,000	American Airlines	9,000
Federal Government	20,100	Baptist Health Systems	7,000
Florida State Government	18,900	Precision Response Corp.	6,000
Jackson Memorial Hospital	11,700	United Parcel Service	5,000
Miami-Dade Community College	7,500	Bellsouth	4,700
Florida International University	3,500	Publix Supermarkets	4,000
City of Miami	3,400	Carnival Cruise Lines	4,000
Veterans Administration Hospital	2,018	Florida Power & Light	3,665
U.S. Coast Guards	1,823	Mt. Sinai Medical Center	3,000
City of Miami Beach	1,700	Burdines	2,982
City of Hialeah	1,549	Cedars Medical Center	2,684
U.S. Southern Command	1,366	Winn-Dixie Stores, Inc.	2,672
City of Coral Gables	850	Wachovia	2,500
City of North Miami Beach	771	Royal Caribbean	2,500

Source: The Beacon Council

CITY OF MIAMI SPRINGS, FLORIDA

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Per Capita Personal Income (2)			Unemployment Rate (3)			Enrollment Public Schools in Miami Springs
	Miami Springs	USA	Florida	Miami-Dade County	USA	Florida	Miami-Dade County	
1994	13,276	21,718	21,652	20,287	7.3	6.8	8.6	6,239
1995	13,279	22,581	23,512	20,713	7.0	7.2	8.0	6,436
1996	13,281	23,562	25,512	21,565	6.8	6.9	7.9	6,745
1997	13,284	24,651	24,616	22,270	4.1	3.2	7.7	6,987
1998	13,287	25,924	23,512	22,833	4.9	4.8	7.1	6,885
1999	13,290	27,203	26,845	23,919	4.5	4.3	6.4	7,488
2000	13,295	28,546	27,781	24,733	4.2	3.9	5.8	7,922
2001	13,712	29,469	27,764	N/A	4.0	3.6	5.3	8,005
2002	13,901	30,413	29,048	N/A	4.7	7.2	7.4	7,123
2003	13,725	30,941	29,596	N/A	6.1	5.2	7.2	7364

Source: (1) City of Miami Springs and University of Florida

(2) University of Florida, Gainesville, Florida Bureau of Economic and Business Research
Florida Statistical Abstract 2000, Table 5-10, Page 166.

(3) State of Florida, Tallahassee, Florida Department of Labor and Employment Security,
as reported in Florida Statistical Abstract 2000, Table 6.11, Page 232.

(4) Miami-Dade County Public Schools Registrar's Office

** Per Capita Personal Income is not available for the City of Miami Springs

CITY OF MIAMI SPRINGS, FLORIDA
MISCELLANEOUS STATISTICS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

Date of Incorporation	August 23, 1926
Form of Government	Council/Manager
Area	2.8 square miles
Miles of Streets	55
Fire Protection:	
Number of Stations	1
Number of Firemen and Officers	21-24
Police Protection:	
Number of Stations	1
Number of Policemen and Officers	43
Education:	
Attendance Centers	2 Elem, 1 Middle, 1 Sr. High
Number of Teachers	Middle 100/MS Elem. 42/SPV.Elem 40/MS High 156
Number of Students	7364
Municipal Water Department:	
Number of Connections	4,245
Annual Consumption	847M-893M gallons
Miles of Water Mains	40 miles
Sewers:	
Number of Connections	4,311
Sanitary Sewers	57.25 miles
Storm Sewers	4.8 miles
Building Permits Issued	1,758
Recreation and Culture:	
Number of Parks	3
Number of Libraries	1
Number of Volumes	2,000 (approx.)
Number of Senior Centers	1
Number of Public Swimming Pools	1
Number of Golf Courses	1
Employees:	
Classified Service	85
Exempt	19

COMPLIANCE SECTION

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

We have audited the basic financial statements of the City of Miami Springs, Florida, as of and for the year ended September 30, 2003, and have issued our report thereon dated March 19, 2004. We did not audit the financial statements of the General Employees Retirement Trust Fund or the Police and Firefighters Retirement Trust Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the General Employees Retirement Trust Fund and the Police and Firefighters Retirement Trust Fund, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Miami Springs, Florida's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2002-9 and 2002-16.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Miami Springs, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Miami Springs, Florida's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items No. 2003-1, 2002-1, 2002-3, 2002-4, 2002-5, 2002-8, 2002-10 and 2002-15.

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item No. 2002-1, 2002-3, 2002-4, 2002-5 and 2002-15 to be material weaknesses.

During our auditing procedures, there were matters coming to our attention that are not considered reportable conditions or material weaknesses but are of such importance that management should be aware of them so that appropriate action may be taken. These items are described in the accompanying schedule of findings and questioned costs as item 2002-01 and 2002-14.

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Company

March 19, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

Compliance

We have audited the compliance of the City of Miami Springs, Florida, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended September 30, 2003. The City of Miami Springs, Florida's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Miami Springs, Florida's management. Our responsibility is to express an opinion on the City of Miami Springs, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Miami Springs, Florida's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Miami Springs, Florida's compliance with those requirements.

As described in items 2002-15 and 2002-16 in the accompanying schedule of findings and questioned costs, the City of Miami Springs, Florida, did not comply with the requirements regarding allowable cost/cost principles, that are applicable to its FEMA disaster programs. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Miami Springs, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended September 30, 2003.

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

Internal Control Over Compliance

The management of the City of Miami Springs, Florida is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-15 and 2002-16.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions, and accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2002-15 to be a material weakness.

This report is intended solely for the information and use of the council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Company

March 19, 2004

**MANAGEMENT LETTER REQUIRED BY SECTION 10.554(G) OF THE RULES
OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

Honorable Mayor and Members of the City Council
City of Miami Springs, Florida

We have audited the basic financial statements of the City of Miami Springs, Florida (the "City"), as of and for the fiscal year ended September 30, 2003, and have issued our report thereon dated March 19, 2004. We did not audit the financial statements of the General Employees Retirement Trust Fund or the Police and Firefighters Retirement Trust Fund. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements, insofar as it relates to the amounts included for the General Employees Retirement Trust Fund and the Police and Firefighters Retirement Trust Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *Rules of the Auditor General*. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Summary Schedule of Prior Audit Findings and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 19, 2004, should be considered in conjunction with this management letter.

The purpose of this letter is to comment on those matters described in Rule 10.554(1)(g) required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the basic financial statements of the City, as described in the first paragraph, we report on the following, which is included on pages 79 through 106.

- I. **Summary of Auditors' Results**
- II. **Financial Statement Findings**
- III. **Federal Award Findings and Questioned Costs**
- IV. **Compliance with the Provisions of the Auditor General of the State of Florida.**

We previously reported on the City's compliance and internal control over financial reporting in our reports dated March 19, 2004 on pages 74 to 75.

This report is intended for the information of the Mayor, City Council, City Manager and management of the City of Miami Springs, Florida, and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the City of Miami Springs, Florida, and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.



March 19, 2004

**CITY OF MIAMI SPRINGS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2003**

SECTION I -SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes

Reportable conditions identified that are not considered
to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes

Reportable conditions identified that are not considered
to be material weaknesses? Yes

Type of auditors' report issued on compliance
for major programs: Qualified

Any audit findings disclosed that are required to be reported
in accordance with Section 510(a) of Circular A-133? Yes

Identification of major program:

CFDA Number

83.544

16.000

Name of Federal Program

Office of Community Development Public Assistance

Federal Equitable Sharing

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualifies as low risk auditee? No

SECTION II - FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS

REPORTABLE CONDITION

2003-1 Police and Firefighters' Retirement Plan

CONDITION

During our testing of distributions to Plan participants for the City's police and firefighters' retirement system, we noted that the City incorrectly submitted estimated earnings and not actual earnings in order to compute the benefit payments for the Deferred Option Plan ("DROP"). In addition, pension contributions were collected from three out of the five participants selected subsequent to the participants drop date.

RECOMMENDATION

We recommend that procedures be implemented by the City to properly compute the benefit payments, as well as conduct a review of the files to determine whether similar instances exist where incorrect information was provided to the actuary to calculate benefit payments.

MANAGEMENT RESPONSE

Management will take the necessary steps to address this issue immediately.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Material Weaknesses

No. 2002-1 Unrecorded Liabilities

CONDITION

As a result of our tests performed over accounts payable and long term debt, we noted material transactions that were not accounted for during the prior and current fiscal periods. As a result, a liability for workers' compensation in the amount of approximately \$388,000 that belongs to the prior year, was recorded in the current fiscal period. In addition, during the current year adjustments were made to record a capital lease for approximately \$161,000 that was not recorded by the City in the prior year and a capital lease entered into by the City during the current year for approximately \$380,000.

EFFECT

By not accounting for all of its obligations, the City is not adequately monitoring its operations and assessing its true budgetary needs. In addition, this lack of internal control over the accounting for these transactions increases the risk of the City making improper and/or inaccurate payments to vendors.

RECOMMENDATION:

We recommend that the City develop written policies and procedures over the administration of invoices and contractual agreements in order to ensure that all obligations have been properly accounted for. Supervisory review would be essential in the monitoring of amounts posted to the general ledger and any associated payments made to vendors.

CURRENT YEAR STATUS

As a result of our tests performed over accounts payable and long term debt, we noted material transactions that were not accounted for during the prior and current fiscal periods. As a result, a liability in the amount of approximately \$250,000 to Miami Dade County for the City's share of a dredging project was recorded in the current fiscal period. In addition, during the current year an adjustment was made to record a liability for approximately \$55,000 to Miami Dade County that was not recorded by the City in prior years for the purchase of police radio equipment. **Comment will be repeated.**

MANAGEMENT RESPONSE

The City has appointed a new Finance Director and is in the process of restructuring its finance operations to ensure that internal controls and procedures are established and operating effectively. The City has also contracted a CPA consulting firm that will evaluate the City's accounting functions and operations in order to make recommendations to improve the accounting and internal controls over the City's operations.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Material Weaknesses (Continued)

No. 2002-2 Lack of controls over fixed assets

CONDITION

As a result of the performance of our tests over fixed assets, we noted a lack of internal controls over the City's Fixed Assets. Based on inquiries of City personnel, we noted that a physical count of fixed assets was not performed in fiscal years 2001 and 2000. During the fiscal year 2002 it appears that a physical count of fixed assets had been performed however, there is no documentary evidence of supervisory review of the physical counts performed. Also, there was no documentary evidence as to whether any of the department head ascertained that the physical count was in agreement with or reconciled with the departments records.

During our review of the data included in the City's fixed asset ledgers, we noted that fixed assets that had been sold as surplus property, disposed of or traded in for the acquisition of new capital assets had not been deleted from the ledger. In all cases where an asset was traded in, we noted that the value of the asset traded in, as well as the associated identification number was retained in the ledgers and an additional amount was added based on the difference between the old asset and the value of the newly acquired asset. The identification number for the newly acquired asset often was not recorded within the ledger.

We also noted that fixed assets that do not meet the City's capitalization threshold are not monitored or controlled by the City (i.e. printers, monitors, etc.). In such cases, the City expenses the costs associated with the acquisition of those assets and does not continue to monitor or account for these assets.

EFFECT:

The lack of internal control over fixed assets resulted in adjustments for approximately \$600,000, \$580,000 and \$80,000 to the fixed assets recorded in the general fixed asset account group, enterprise funds, and the internal service funds, respectively.

By not maintaining internal controls over the management of the City's fixed assets, the City runs the risk of theft or loss of its fixed assets.

RECOMMENDATION:

Prudent business practices would dictate that controls over fixed assets be established in order to ensure the best use of the City's limited resources. Accordingly, we recommend that the City develop written policies and procedures that require the timely performance of annual physical counts of fixed assets. In all cases, someone independent of the purchasing function as well as the management of the associated fixed assets should perform the count. Upon completion of the physical count, the department head should review the results of the physical count and signify his/her approval. Once approved, the City's fixed asset ledgers should be reconciled, in a timely manner, with the results of the physical counts.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Material Weaknesses (Continued)

No. 2002-2 Lack of controls over fixed assets (Continued)

We also recommend that the policies and procedures incorporate requirements that all fixed asset dispositions be properly written off the City's fixed asset ledgers. When a new fixed asset is acquired, the basis of that asset should be recorded along with identification numbers specific to each asset.

Finally, ledgers should be maintained for all assets that have a useful life greater than one year and a tangible value as determined by management that is up to the capitalization threshold of the City. These fixed assets should be catalogued and segregated from capital fixed assets recorded within the general ledger. This will assist the City in tracking and managing all of its fixed assets and costs associated with their acquisition

CURRENT YEAR STATUS

For fiscal year 2003, the City contracted with a third party to perform the physical inventory and valuation of the City's fixed assets. In addition, the third party also tagged all fixed assets and developed written procedures to establish controls over the fixed assets. **Comment will not be repeated.**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Material Weaknesses (Continued)

No. 2002-3 Irreconcilable difference in cash

CONDITION:

As part of our tests over cash transactions, we reviewed the City's monthly bank reconciliations. As a result, we noted that due to errors in the City's accounting system, the City's bank reconciliations do not reconcile with the City's bank statements. In the current year, this resulted in a net irreconcilable difference of approximately \$148,000.

In addition, we noted that signed checks that had been voided had not been properly destroyed to prevent unauthorized use. In a number of cases, we noted that checks were retained by the City that had been signed with no payee or amount recorded on the face of the check.

EFFECT:

By not maintaining bank reconciliations that properly reconcile with the City's bank accounts, the City runs the risk that amounts may be processed and not properly accounted for in the general ledger. In addition, the apparent lack of controls over the processing of voided checks, in light of the issues identified herein, increases the City's risk of theft or loss.

RECOMMENDATION:

We recommend that the City develop written policies and procedures over the processing of voided checks and that steps be taken that ensure that blank checks are not signed without being properly secured and accounted for. In addition, steps should be taken to identify the reasons for the irreconcilable differences and corrective action taken as warranted. City policies should dictate that monthly bank reconciliations are completed on a timely basis and that amounts are properly reconciled with the associated bank statements.

CURRENT YEAR STATUS

Based on our review of bank reconciliations, we noted that bank accounts are not being reconciled monthly. In addition we noted that approximately \$70,000 in checks were shown as outstanding on the year end bank reconciliation, however, there had been replacement checks issued and the older checks never voided. **Comment will be repeated.**

MANAGEMENT RESPONSE

The City has appointed a new Finance Director and is in the process of restructuring its finance operations to ensure that internal controls and procedures are established and operating effectively. The City has also contracted a CPA consulting firm that will evaluate the City's accounting functions and operations in order to make recommendations to improve the accounting and internal controls over the City's cash operations

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Material Weaknesses (Continued)

No. 2002-4 Excessive use of manual journal entries

CONDITION:

As a result of our tests over transactions affecting the City's books and records, we noted that a significant number of manual journal entries had been recorded during fiscal year 2002. In a number of cases, the same individual that was responsible for the recording and or reconciliation of accounting transactions was recording manual journal entries. In addition, there did not appear to be any supervisory review of these entries nor was there any documentary evidence that approval had been attained prior to the posting of these entries. Finally, in a number of cases, entries were being made to correct prior manual entries that were not properly recorded in the general ledger.

EFFECT:

By processing an excessive number of manual journal entries, the City increases the risk that improper and/or inaccurate amounts could be recorded to its books and records and not be detected by management. In addition, such risk increases by allowing individuals with responsibilities that include the processing of accounting transactions to create and post manual journal entries with no supervisory review.

RECOMMENDATION:

We recommend that the City implement written policies and procedures that specify under what conditions manual journal entries can be processed and recorded. In addition, individuals responsible for the processing of accounting transactions should not have the capability to generate manual journal entries without management approval and subsequent review of the manual journal entry prior to posting.

CURRENT YEAR STATUS

During the closing process for FY2003, the City recorded in excess of 300 manual journal entries. We noted that a significant number of these entries were not reviewed and approved by management. **Comment will be repeated.**

MANAGEMENT RESPONSE

The City has appointed a new Finance Director and is in the process of restructuring its finance operations to ensure that internal controls and procedures are established and operating effectively. The City has also contracted a CPA consulting firm that will evaluate the City's accounting functions and operations in order to make recommendations to improve the accounting and internal controls over the City's operations.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Material Weaknesses (Continued)

No. 2002-5 Lack of segregation of duties in the cash cycle

CONDITION:

Based on our tests performed over cash, we noted an apparent lack of segregation of duties. It appears that the person in charge of performing the monthly bank reconciliations also performs cash receipts functions, at times processes accounts payable, manages fixed assets, and has the capability of posting manual entries to the general ledger. We also noted that incoming checks are not adequately monitored since these checks are forwarded to the cashiers for posting to the general ledger however, there is no documentary evidence of review and reconciliation of total cash received with amounts recorded within the general ledger.

We also noted that monthly bank reconciliations are not being prepared in a timely manner. In addition, when bank reconciliations are completed, there is no documentary evidence that they were reviewed by management.

EFFECT:

The apparent lack of segregation of duties in the cash processing cycle increases the City's risk that improper and/or inaccurate activity may occur and not be detected. In addition, by not completing timely bank reconciliations that have been subjected to review by management the City may not be able to adequately monitor its daily operations.

RECOMMENDATION:

We recommend that the City properly segregate cash receipts and processing functions. In cases where certain functions cannot be segregated, mitigating controls should be established in order to provide for the proper monitoring of these activities.

In addition, written policies and procedures should be established that require the timely completion and review of monthly bank reconciliations.

CURRENT YEAR STATUS

We noted during our current year observations that the individual in charge of bank reconciliations has the capability of posting journal entries to the general ledger system. In addition, bank reconciliations are not being performed on a monthly basis. **Comment will be repeated.**

MANAGEMENT RESPONSE

The City has appointed a new Finance Director and is in the process of restructuring its finance operations to ensure that internal controls and procedures are established and operating effectively. The City has also contracted a CPA consulting firm that will evaluate the City's accounting functions and operations in order to make recommendations to improve the accounting and internal controls over the City's cash operations.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Reportable Conditions

No. 2002-6 Monitoring of accounts receivables balances

CONDITION:

We noted that the City does not adequately monitor its account receivable balances in order to ascertain whether amounts are collectible. As a result of our tests over accounts receivable, we identified approximately \$280,000 in receivables that management concluded was uncollectible and wrote off during the current year. Some of the accounts receivable recorded on the City's general ledger have been outstanding for as long as 4 to 5 years with little or no account activity reflected.

EFFECT:

By not monitoring its accounts receivables, the City runs the risk of not collecting on monies due the City. In addition, amounts could be reflected within the general ledger that does not fairly state the financial position of the City.

RECOMMENDATION:

We recommend that the City monitor its receivable balances on a regular and ongoing basis and make adequate efforts to collect on the outstanding balances of its accounts receivable. In cases where amounts are deemed uncollectible, an allowance should be established upon such determination.

CURRENT YEAR STATUS

During FY2003, the City established procedures to monitor receivables and record allowances for uncollectible as required. **Comment will not be repeated.**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Reportable Conditions (Continued)

No. 2002-7 Lack of controls over payroll

CONDITION:

As a result of the performance of our tests over payroll transactions, we noted that the same person that is responsible for the processing of payroll also inputs new City personnel into the system. In addition, we noted that payroll is input from time cards and time sheets, processed, and that upon completion payroll checks are run through a check signing machine. We did not note any documentary evidence that at any point throughout the processing of the payroll where the payroll registers had been subjected to review and approval for disbursement. In addition, we did not note documentary evidence that the payroll checks had been reconciled with the applicable payroll register prior to issuance.

EFFECT:

By not maintaining internal controls over the payroll processing function, the City runs the risk that improper and/or inaccurate payroll payments may be made without being detected.

RECOMMENDATION:

We recommend that written policies and procedures be established that segregate the processing of payroll from the input of newly hired City personnel. In addition, payroll registers and management prior to the disbursement of such amounts should review the associated payroll disbursements.

CURRENT YEAR STATUS

The City has segregated the duties of inputting new hires and payrolls are now being reviewed and approved by the Finance Director. **Comment will not be repeated.**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (Continued)

Reportable Conditions (Continued)

No. 2002-8 Physical inventories

CONDITION:

As a result of our tests, we noted that a physical inventory was performed however, the City's books and records were not properly reconciled with the physical inventory. In addition, we noted that the same individuals responsible for the inventory count were also responsible for the day-to-day management of the inventory.

EFFECT:

By not having an independent review of the physical inventory, the risk of error increases, which could have been a contributing factor in the adjustment that had to be posted to correct the City's books and records.

RECOMMENDATION:

We recommend that the City continue the performance of its physical inventories however, the physical inventories should be supervised by someone independent of the department responsible for the management of the affected inventory. In addition, at all times, the City should reconcile its books and records with the results of the physical inventory and differences where applicable should be corrected.

CURRENT YEAR STATUS

The City performed a physical inventory at year end, however the inventory was not reconciled to the general ledger. In addition, we noted that a final inventory report as of 9/30/03 was never generated after the inventory counts were inputted into the City's computer system. **Comment will be repeated.**

MANAGEMENT RESPONSE

The City has appointed a new Finance Director and is in the process of restructuring its finance operations to ensure that internal controls and procedures are established and operating effectively. The City has also contracted a CPA consulting firm that will evaluate the City's accounting functions and operations in order to make recommendations to improve the accounting and internal controls over the City's inventories.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Reportable Conditions (Continued)

No. 2002-9 Compliance with Section 166.241 (3) of Florida Statutes

CONDITION:

The City is not in compliance with the following Florida statutes.

Compliance with Section 166.241 (3) of the Florida Statutes

Section 166.241 (3) of the Florida Statutes states that "The governing body of each municipality shall adopt a budget each fiscal year. The budget must be adopted by ordinance unless otherwise specified in the respective municipality's charter. The amount available from taxation and other sources, including amounts carried over from prior fiscal years, must equal the total appropriations for expenditures and reserves. The budget must regulate expenditures of the municipality, and it is unlawful for any officer of a municipal government to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations. In addition, the interfund liabilities forgiven and charged as interfund transfers resulted in additional amounts being charged against operations that were not budgeted for by the City.

CAUSE:

The City did not budget all its funds in FY2002.

EFFECT:

The City is not in compliance with the above-mentioned Florida Statute.

RECOMMENDATION:

We recommend that the City comply with Section 166.241 (3) of the Florida Statutes and budget all of its governmental and proprietary fund types.

CURRENT YEAR STATUS

The City has prepared the budget in accordance with Section 166.241 (3) of the Florida Statutes. However, expenditures in the Public Works Department exceeded final budget by \$73,932. **Comment will be repeated.**

MANAGEMENT RESPONSE

The City has appointed a new Finance Director and is in the process of restructuring its finance operations to ensure that procedures are established to ensure budgetary compliance.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Reportable Conditions (Continued)

No. 2002-10 Lack of controls over golf course operation

CONDITION:

As a result of the performance of certain procedures over the Golf Course and Country Club operations, we noted a lack of internal control over cash receipts, cash disbursements, payroll, and general operations.

The results of our tests over the Golf Course and Country Club operations were as follows:

- a) There were deficiencies in the amount of items and the pricing of the inventory merchandise held for sale at the golf pro shop.
- b) Driving range revenues are not properly reconciled with daily cash receipts.
- c) Management does not maintain complete personnel files on golf course personnel. In most cases, background checks and form required by federal employment guidelines could not be located. In addition, there is no reconciliation between payroll registers, time sheets, and payroll checks issued.
- d) City policies require that at the time a reservation is made for all banquets, a signed contract and a deposit must be obtained however, we noted in a number of cases where no signed contract was in the file. In one specific case, an individual that canceled a banquet was able to obtain a refund of his deposit because a signed contract had not been obtained.
- e) There is no system in place to account for and reconcile the number of gift certificates sold and rain checks issued by the Golf Course.
- f) There is no control over the free food and liquor coupons that are maintained in an unsecured box in the golf pro shop.
- g) Employee discounts provided on selected menu items cannot be reconciled with daily comp logs. Also, we noted that employee discounts were being provided to individuals that were not employees of the golf and country club.
- h) Employees other than management have the capability of voiding transactions and in a number of instances, we noted that the same employee that created the transaction voided his/her transaction.
- i) There is no system in place to monitor the service provided by the golf pros or any other service provided to the golfers.
- j) We could not find any documentary evidence in some of the employee files to support additional compensation paid to certain employees.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Reportable Conditions (Continued)

No. 2002-10 Lack of controls over golf course operation (Continued)

EFFECT:

By not maintaining internal controls over the golf and country club operations, the City runs the risk that improper and/or inaccurate costs are being incurred and charged to operations. In addition, control weaknesses over revenue cycle makes it difficult to ascertain whether all revenues generated by golf course and country club operations are being recognized in the accounting system.

RECOMMENDATION:

We recommend that written policies and procedures be established over all areas of the golf course and country club operations. The City should take the steps necessary in order to ensure that expenses are being properly accounted for and approved prior to payment.

In addition, control procedures should be established over all revenue sources in order to facilitate the reconciliation, on a daily basis, of all revenues generated by the golf course and country operations.

CURRENT YEAR STATUS

- a) Based on the results of our inventory procedures during FY2003, the pro shop inventory was reported accurately. **Comment will not be repeated.**
- b) The golf course has established controls to monitor the drive range revenues by performing analytical procedures in order to ascertain that revenues are within expected levels. Based on the fact that the drive range has to be operated by an individual after-hours, analytical procedure is the best alternative to ensure that revenues are within expected levels. **Comment will not be repeated.**
- c) Based on our review of the personnel files, hiring procedures and payroll processing, the golf course has established controls to maintain updated and complete employee files as well as reconciling payrolls to time sheets and payroll checks. **Comment will not be repeated**
- d) Based on our review of banquet contracts, we noted that there were no signed contracts on file. **Comment will be repeated.**
- e) The golf course has established controls for the sales and redemption of gift certificates. **Comment will not be repeated**
- f) The golf course has eliminated the free food and liquor coupons in fiscal year 2003. **Comment will not be repeated**
- g) Based on our procedures over discounts and the comp log, we noted that there were a significant number of discounts and comp provided which were not listed on the comp log provided to the City. **Comment will be repeated**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Reportable Conditions (Continued)

No. 2002-10 Lack of controls over golf course operation (Continued)

- h) During our review of the Voids and Discounts report, we noted that there are unauthorized employees voiding transactions. In addition, we noted that there are employees who are still voiding their own transactions. **Comment will be repeated**
- i) Golf pro services are still being provided, golf course management has made a business decision that this is an industry-wide practice and that they monitor the activities of the golf pros to ensure that their golf pro services do not interfere with their normal work schedule. **Comment will not be repeated**
- j) There was no additional compensation paid to employees. **Comment will not be repeated**

MANAGEMENT RESPONSE

The City has appointed a new Finance Director and is in the process of restructuring its finance operations to ensure that internal controls and procedures are established and operating effectively. The City has also contracted a CPA consulting firm that will evaluate the City's accounting functions and operations in order to make recommendations to improve the accounting and internal controls over the City's golf course operations.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Other Matters

No. 2002-11 GASB 34

CONDITION

In June 1999, the Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement dramatically changes the presentation of government's external financial statements. In the GASB's view, the objective of the new reporting model is to enhance the clarity and usefulness of government financial statements to the citizenry, oversight bodies, investors and creditors. It will substantially affect the City's financial data accumulation and financial statement presentation processes. Some of the key aspects of the changes are as follows:

Management's Discussion and Analysis ("MD&A") - A comprehensive MD&A will now be included as required supplementary information. The MD&A will introduce the financial statements by representing an analysis of the government's financial performance for the year and its financial position at year-end. The MD&A will be in addition to the transmittal letter currently required for Government Finance Officers Association ("GFOA") award candidates, such as the City, but we expect that the GFOA will make changes in their requirements so as to avoid any duplication between the two documents.

Government-Wide Reporting - The City will be required to report financial operations and net assets, not only at the fund perspective for governmental activities, but will also have to prepare statements at the government-wide level. This level will distinguish between government and business type activities. All information at the government-wide level will be reported using the economic resources measurement focus and accrual basis of accounting, as enterprise funds do under the current model. Fiduciary activities will be excluded from the government-wide level of reporting. General government fixed assets, including infrastructure, and long-term liabilities of the government will be included on the assets and liabilities section of the government-wide level of reporting.

Statement of Activities - Governments will now be required to use a "net program cost" format for the government-wide statements instead of a traditional operating statement. This new format groups revenues and expenses by functional categories (such as public safety, public works, etc.). The purpose of the new statement is to inform readers about the cost of specific functions and the extent to which they are financed with program or general revenues of the government. Governments will have the option of reporting both direct and indirect program costs. Depreciation expenses will now generally be reflected as a cost in the statement of activities.

Infrastructure Reporting - historically, the City has not been required to record infrastructure assets in its financial statements. Under the new standard, the City must report major general infrastructure assets that were acquired in fiscal year ending after June 30, 1980 or that received major renovation, restorations, or improvements during the period. The standard provides several alternatives for determining historical cost of the infrastructure assets. Although the standard generally requires the depreciation of infrastructure assets, the City may not be required to depreciate these assets if it can demonstrate that it is preserving its infrastructure at approximately (or above) a disclosed condition level established by the City.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Other Matters

No. 2002-11 GASB 34

Fund Level Reporting - Fund level financial statements will still be required and will provide information about the City's fund types, including fiduciary funds and blended component units. General capital assets and general long-term liabilities will only be reported at the government-wide level. Fund level reporting will continue to focus on fiscal accountability and reflect the flows and balances of current financial resources. The modified accrual basis of accounting will continue to be used at the fund level, except for proprietary and fiduciary funds which would continue reporting based on economic resources and the accrual method of accounting. Reconciliation between the fund and the government-wide statements will be required on the face of the fund statements. Finally, proprietary fund cash flow statements must be presented using the direct method.

Presentation of Budgetary Information - The standard requires budgetary statements for the general fund and certain other governmental funds as required supplementary information. The original adopted budget of the city as well as the final revised budget must be presented. Actual results on a budgetary basis will need to be reconciled to the GAAP (generally accepted accounting principles) basis on the face of the statements.

RECOMMENDATION

The effective date of the new pronouncement will require implementation by the City for its year ending September 30, 2003. The magnitude of these changes and the time required to prepare for implementation should not be underestimated. We recommend that the City begin to look at its systems and processes to ensure that the required information will be available to ensure timely implementation. Further, we recommend that the City consider the cost of required changes to its systems and processes to ensure availability of necessary funds in its upcoming budget.

CURRENT YEAR STATUS

The City has implemented GASB 34 for the fiscal year ended September 30, 2003, **Comment will not be repeated.**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Other Matters (Continued)

No. 2002-12 City's Information Technology System

CONDITION:

During the current fiscal period, we performed a comprehensive review of the City's Information System and the associated internal controls. As a result, we noted the following:

- a) The City does not have a written disaster recovery plan in place to address the data storage and processing needs of the City should the current facilities be unusable in the occurrence of a natural or other disaster.
- b) The City does not maintain policies and procedures over the setup and maintenance of employee workstations.
- c) All workstations have some form of anti virus protection however, only the computers that have access to the Internet have the capability to perform live updates of the virus protection software.
- d) The City does not maintain written policies and procedures over maintaining security over its systems. When the City no longer employs an employee, a system is not in place to ensure that all access by that employee is removed from the system and that the associated computer is scanned for necessary data.
- e) Control is not in place over access to the City's AS400 and network hardware. Any personnel with access to the finance department have the capability of accessing the AS400 and the City's network systems.
- f) Fire protection of the City's computers consists only of overhead sprinklers, which in many cases could cause more damage than a fire.

EFFECT

By not maintaining written policies and procedures over the administration of the City's Information Systems, the City is exposed to the risk of theft or loss of financial and non-financial data. In addition, should the City incur a natural or other disaster, the City could be unable to process data and in turn be prevented from managing its operations and performing basic services for its residents.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Other Matters (Continued)

No. 2002-12 City's Information Technology System (Continued)

RECOMMENDATION:

We recommend the City implement the following in order to mitigate the risk of theft or loss and business interruption:

- a) The City should develop a written disaster recovery plan and consider entering into a collaborative agreement for the providing of an offsite location for the processing of data in the occurrence of a disaster.
- b) Virus signature updates are critical, as such, the City should appoint a user with Internet access to download updates on a regular basis and ensure that such updates are made to the computers that do not have Internet access. For all other users with Internet access, updates should be made on a regular and ongoing basis.
- c) In order to ensure security on the network and data integrity, written policies and procedures should be developed that require the prompt notification of employees that are no longer employed by the City. Upon such notification, a person should be assigned to ensure that access to the system is removed for that individual.
- d) Access to the AS400 and network system should be limited through the form of some level of security that prevents access to these systems.
- e) Fire protection should encompass a system that will not damage computers while protecting them from fire. One such system generally applied is the use of Halon fire systems in specified areas.

CURRENT YEAR STATUS

During our current year procedures, we noted that items a thru d had been addressed and corrected by the City. In addition, the City is working on a solution for item e. **Comment will not be repeated.**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Other Matters (Continued)

No. 2002-13 Lack of written personnel policies

CONDITION:

As a result of our performance of tests over the payroll function, we noted that the City does not currently maintain a written employee personnel manual. Instead, personnel are provided information regarding certain City policies and procedures however, the information is not comprehensive in nature.

EFFECT:

By not maintaining a written personnel manual, that clearly defines an employee's responsibilities and obligations as well as pertinent rules and regulations, the City runs the risk of employee related litigation and other associate costs. In addition, circumstances may exist where employee evaluations may be impacted because of a lack of clear definitions of expectations of the position they had been employed under.

RECOMMENDATION:

We recommend that a written employee manual be developed and upon completion be distributed to all existing City employees. In addition, policies and procedures should be established whereby all new employees are provided an employee manual and that such employees signify his/her understanding of the materials included within the manual.

CURRENT YEAR STATUS

The City is providing all new employees with copies of all relevant policies and regulations related to employment with the City. **Comment will not be repeated.**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

Other Matters (Continued)

2002-14 Financial Condition Assessment

CONDITION

In connection with our audit of the City, we applied financial condition assessment procedures pursuant to Section 10.556(8), Rules of the Auditor General, to determine if deteriorating financial conditions exist that may cause a financial emergency to occur if actions are not taken to address such conditions. The results of our assessment indicated that the Entity's overall financial condition is deteriorating.

The City's total unreserved fund balance/retained earnings has been declining over the past few years due to recurring losses in its Sewer and Golf Course Operations Funds. Recurring losses indicate that revenues are not sufficient to cover expenditures or that expenditures are excessive.

EFFECT

By not taking the steps necessary to reverse these losses, the City will continue to deplete its unreserved fund balance/retained earnings until the point that it reaches a State of Financial Emergency.

RECOMMENDATION

We recommend that the City consider studying its current rate structure for the Sewer fund and continue measures to cut costs. The City should also continue to monitor its Golf Course and continue with its actions to reduce its costs. Additional consideration should be placed on other areas within the general fund that could result in additional cost savings to the City.

CURRENT YEAR STATUS

The results of the FY2003 financial condition assessment indicated that the Entity's overall financial condition continues to deteriorate for the second consecutive year. **Comment will be repeated.**

MANAGEMENT RESPONSE

The City Council has appointed a new City Manager with over 30 years of city government experience in South Florida. In addition, the City has hired a new Assistant City Manager and a Finance Director, who collectively have significant experience in government and finance. These appointments will assist the City in developing innovative plans designed to improve efficiency in operations, reduce costs, and to increase the City's fund balances.

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

No. 2001-01 Golf Course Fund

We noted that the City operates a Golf Course Fund, which is very costly to the City and has been operating under a deficit since its inception during fiscal year 1998. It may be more cost effective for the City to sell or discontinue operations of the Golf Course Fund.

Recommendation

We recommend that the City evaluate the cost effectiveness of providing and maintaining a golf course.

Current Year Status

The Golf Course Fund continues to operate at a deficit, and recorded negative operating results for FY2003. **Comment will be repeated for FY2003.**

MANAGEMENT RESPONSE

The City is implementing a new operating model for the Golf Course management and operating structure that is expected to provide much improved fiscal accountability and a significant reduction of losses.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

A. CURRENT YEAR FINDINGS

SEE PRIOR YEAR FINDINGS

CITY OF MIAMI SPRINGS, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<i>Federal Emergency Management Agency</i>		
Office of Community Development Public Assistance	83.544	\$ 268,956
<i>U.S. Department of Health and Human Services</i>		
Alliance for Aging, Inc.		
Title III, Part C Nutrition Services	93.045	113,546
Title III, Part B Grants for Supportive Services	93.044	11,314
Subtotal		<u>124,860</u>
<i>U.S. Department of Agriculture</i>		
Nutrition Program for the Elderly	10.570	<u>29,467</u>
<i>U.S. Department of Justice</i>		
Office of Community Policing Services		
COPS MORE	16.710	78,994
Federal Equitable Sharing	16.000	<u>219,736</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 722,013</u></u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF MIAMI SPRINGS, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

GENERAL

The Schedule of Expenditures of Federal Awards included herein represents all of the Federal grant awards of the City of Miami Springs, Florida (the "City") over which the City exercised direct operating control for the fiscal year ended September 30, 2003.

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of, the general-purpose financial statements.

SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

All Federal grant operations of the City are included in the scope of the Office of Management and Budget (OMB) Circular A-133 audit (the "Single Audit"). The Single Audit was performed in accordance with the provisions of the OMB *Circular A-133 Compliance Supplement* (Revised March, 2003, the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant programs noted below. Since the City does not qualify as a low risk auditee for FY2003, Circular OMB A133 requires testing to be performed on at least 50% of total federal expenditures. The programs listed below represent all Federal award programs and other grants with fiscal 2003 cash and noncash expenditures sufficient to ensure coverage of at least 50% of federally granted funds. Actual coverage is approximately 68% of total cash and noncash Federal award program expenditures.

<u>Major Federal Award Program Description</u>	<u>FISCAL 2003 Expenditures</u>
Office of Community Development Assistance	\$268,955
Federal Equitable Sharing	\$219,736

FINDINGS OF NONCOMPLIANCE

See schedule of findings and questioned costs for findings of noncompliance identified in connection with the September 30, 2003 Single Audit.

AUDITS PERFORMED BY OTHER ORGANIZATIONS

During the fiscal year ended September 30, 2003 there were no audits of the City's Administration of Federal Financial Assistance Programs.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

B. STATUS OF PRIOR YEAR FINDINGS

No. 2002-15 Lack of Controls over Accounts Payable and Disbursements

Material Weakness

CONDITION:

As a result of our tests performed over cash disbursements, we noted an apparent lack of internal control over the processing of accounts payable. There appears to be no supervisory review over the input and recording of accounts payable transactions. In addition, cash disbursements processed for payment are not reviewed and reconciled with the accounts payable registers prior to issuance.

EFFECT:

By not performing a review of the processing of accounts payable transactions or the subsequent payment on these accounts, the City runs the risk of making improper and/or inaccurate payments to vendors. Also, instances may occur whereby duplicate payments could be made to vendors. This apparent lack of internal control could also result in inaccurate information being recorded within the City's general ledger.

In addition, as a result of a lack of supervisory review over the processing of these transactions, we noted that an entire check run in April of 2002 was mailed without authorized signatures.

RECOMMENDATION:

We recommend that the City establish written policies and procedures over the processing and review of accounts payable. In addition, management should routinely monitor these controls in order to ensure that they are being properly followed and adhered to.

CURRENT YEAR STATUS:

As a result of our tests performed over cash disbursements, we noted an apparent lack of internal control over the processing of federal expenditures. There appears to be no review by knowledgeable personnel of federal expenditures in order to ascertain that they are allowable costs under the requirements of OMB A-133. **Comment will be repeated.**

MANAGEMENT RESPONSE:

The City has appointed a new Finance Director and is in the process of restructuring its finance operations to ensure that internal controls and procedures are established and operating effectively. The City has also contracted a CPA consulting firm that will evaluate the City's accounting functions and operations in order to make recommendations to improve the accounting and internal controls over accounts payable and cash disbursement operations.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

B. STATUS OF PRIOR YEAR FINDINGS (CONTINUED)

No. 2002-16 Lack of controls over grant revenue and expenditure recordkeeping

Reportable Condition

CONDITION:

During the performance of our procedures over the City's grant agreements, we noted that the City does not maintain a system of internal control that provides for the timely accumulation of financial data associated with grants and intergovernmental agreements from which the City receives annual funding.

EFFECT:

By not maintaining a system in place to track all grants and intergovernmental agreements received and expended by the City on an annual basis, the City is at risk of not complying with provisions of its grants and/or agreements. By not complying with, such requirements, the City could loose existing and/or future funding under the affected program. In addition, this lack of control brings into question the accuracy of the schedule of expenditure of federal awards that must be prepared by the City as part of the reporting package submitted to the Office of Management and Budget Clearing House.

RECOMMENDATION:

We recommend that the City establish written policies and procedures that incorporate the management of all grant and intergovernmental agreements received by the City. All financial and non-financial data should be accumulated and centrally located and someone should be assigned to review such data in order to ensure compliance with all agreements.

CURRENT YEAR STATUS:

The City did not prepare or maintain a schedule of federal expenditures for the fiscal year ended September 30, 2003. **Comment will be repeated.**

MANAGEMENT RESPONSE:

The City has appointed a new Finance Director and is in the process of restructuring its finance operations to ensure that internal controls and procedures are established and operating effectively. The City has also contracted a CPA consulting firm that will evaluate the City's accounting functions and operations in order to make recommendations to improve the accounting and internal controls over the City's grant revenues and expenditures.

SECTION IV. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit.
2. Recommendations: except those addressed in the Schedule of Findings and Questioned Costs, made in the preceding annual financial report, have been addressed.
3. Recommendations to improve the City's present financial management, accounting procedures and internal controls are accompanying this report in the schedule of findings and questioned costs.
4. During the course of our audit, other than as disclosed in the schedule of findings and questioned costs, nothing came to our attention that caused us to believe that the City:
 - a. Was in violation of any laws, rules or regulations and contractual provisions.
 - b. Made any illegal or improper expenditures.
 - c. Had improper or inadequate accounting procedures.
 - d. Failed to record financial transactions.
 - e. Had other inaccuracies, shortages, defalcations and instances of fraud.
5. The City was incorporated by Chapter 5799, Laws of Florida, Acts of 1907. There are no component units related to the City.
6. The City was in compliance with Section 218.415, Florida Statutes, regarding the investment of public funds.
7. The City, during fiscal year 2003, continues to experience a trend of deteriorating financial conditions. The City reported in Note 2 of the basic financial statements the following funds with deficit balances for at least two consecutive years:
 - a) Water Enterprise Fund:
This deficit represents an accumulation from prior years. Ongoing improvements to the system increased the deficit during the current fiscal year.
 - b) Senior Center Special Revenue Fund:
This deficit represents an accumulation from prior years. This deficit is due to the City not transferring sufficient amounts from the general fund during the year to match the operating expenditures.

Additionally, the City has sustained operating deficits in the Golf Course Enterprise Fund for at least two successive years.

8. The annual financial report (AFR) for the year ended September 30, 2003 has not been filed with the Department of Banking and Finance (the Department) pursuant to Section 218.32(1)(a), Florida Statutes. The City anticipates filing the AFR with the Department within the time frame allowed under Section 218.32(1)(a). At such time we will review the AFR and report to the State as to whether it is in agreement with the audited financial statements for the year ended September 30, 2003.
9. During the course of our audit, as more fully disclosed in Note 15 of the basic financial statements, we applied financial condition assessment procedures pursuant to Rule 10.566(8). It is management's responsibility to monitor the City's financial condition, and our financial condition assessment, which was performed as of the City's fiscal year end, was based on representations made by management and the review of financial information provided by the City. The accompanying schedule of findings and questioned costs presents the current year's reporting of a deteriorating financial condition.